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# The Department of State

# bulletin

Vol. XXXI, No. 785

July 12, 1954



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# *The Department of State* bulletin

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## International Communism in Guatemala

*Address by Secretary Dulles<sup>1</sup>*

Tonight I should like to talk with you about Guatemala. It is the scene of dramatic events. They expose the evil purpose of the Kremlin to destroy the inter-American system, and they test the ability of the American States to maintain the peaceful integrity of this hemisphere.

For several years international communism has been probing here and there for nesting places in the Americas. It finally chose Guatemala as a spot which it could turn into an official base from which to breed subversion which would extend to other American Republics.

This intrusion of Soviet despotism was, of course, a direct challenge to our Monroe Doctrine, the first and most fundamental of our foreign policies.

It is interesting to recall that the menace which brought that doctrine into being was itself a menace born in Russia. It was the Russian Czar Alexander and his despotic allies in Europe who, early in the last century, sought control of South America and the western part of North America. In 1823 President Monroe confronted this challenge with his declaration that the European despots could not "extend their political system to any portion of either continent without endangering our peace and happiness. We would not," he said, "behold such interposition in any form with indifference."

These sentiments were shared by the other American Republics, and they were molded into a foreign policy of us all. For 131 years that policy has well served the peace and security of this hemisphere. It serves us well today.

In Guatemala, international communism had an initial success. It began 10 years ago, when a revolution occurred in Guatemala. The revolution was not without justification. But the Communists seized on it, not as an opportunity for real reforms, but as a chance to gain political power.

Communist agitators devoted themselves to infiltrating the public and private organizations of Guatemala. They sent recruits to Russia and other Communist countries for revolutionary training and indoctrination in such institutions as the Lenin School at Moscow. Operating in the guise of "reformers" they organized the workers and peasants under Communist leadership. Having gained control of what they call "mass organizations," they moved on to take over the official press and radio of the Guatemalan Government. They dominated the social security organization and ran the agrarian reform program. Through the technique of the "popular front" they dictated to the Congress and the President.

The judiciary made one valiant attempt to protect its integrity and independence. But the Communists, using their control of the legislative body, caused the Supreme Court to be dissolved when it refused to give approval to a Communist-contrived law. Arbenz, who until this week was President of Guatemala, was openly manipulated by the leaders of communism.

Guatemala is a small country. But its power, standing alone, is not a measure of the threat. The master plan of international communism is to gain a solid political base in this hemisphere, a base that can be used to extend Communist penetration to the other peoples of the other American Governments. It was not the power of the Arbenz government that concerned us but the power behind it.

If world communism captures any American State, however small, a new and perilous front is established which will increase the danger to the entire free world and require even greater sacrifices from the American people.

### **The Declaration at Caracas**

This situation in Guatemala had become so dangerous that the American States could not ignore it. At Caracas last March the American States held their Tenth Inter-American Conference.

<sup>1</sup>Delivered to the Nation over radio and television on June 30 (press release 357).



They then adopted a momentous statement. They declared that "the domination or control of the political institutions of any American State by the international Communist movement . . . would constitute a threat to the sovereignty and political independence of the American States, endangering the peace of America."<sup>2</sup>

There was only one American State that voted against this declaration. That State was Guatemala.

This Caracas declaration precipitated a dramatic chain of events. From their European base the Communist leaders moved rapidly to build up the military power of their agents in Guatemala. In May a large shipment of arms moved from behind the Iron Curtain into Guatemala.<sup>3</sup> The shipment was sought to be secreted by false manifests and false clearances. Its ostensible destination was changed three times while en route.

At the same time, the agents of international communism in Guatemala intensified efforts to penetrate and subvert the neighboring Central American States. They attempted political assassinations and political strikes. They used consular agents for political warfare.

Many Guatemalan people protested against their being used by Communist dictatorship to serve the Communists' lust for power. The response was mass arrests, the suppression of constitutional guaranties, the killing of opposition leaders, and other brutal tactics normally employed by communism to secure the consolidation of its power.

In the face of these events and in accordance with the spirit of the Caracas declaration, the nations of this hemisphere laid further plans to grapple with the danger. The Arbenz government responded with an effort to disrupt the inter-American system. Because it enjoyed the full support of Soviet Russia, which is on the Security Council, it tried to bring the matter before the Security Council. It did so without first referring the matter to the American regional organization as is called for both by the United Nations Charter itself and by the treaty creating the American organization.

The Foreign Minister of Guatemala openly connived in this matter with the Foreign Minister of the Soviet Union. The two were in open correspondence and ill-concealed privity. The Security Council at first voted overwhelmingly to refer the Guatemala matter to the Organization of American States. The vote was 10 to 1. But that one negative vote was a Soviet veto.

Then the Guatemalan Government, with Soviet backing, redoubled its efforts to supplant the

American States system by Security Council jurisdiction.

However, last Friday, the United Nations Security Council decided not to take up the Guatemalan matter but to leave it in the first instance to the American States themselves.<sup>4</sup> That was a triumph for the system of balance between regional organization and world organization, which the American States had fought for when the charter was drawn up at San Francisco.

The American States then moved promptly to deal with the situation. Their peace commission left yesterday for Guatemala. Earlier the Organization of American States had voted overwhelmingly to call a meeting of their Foreign Ministers to consider the penetration of international communism in Guatemala and the measures required to eliminate it. Never before has there been so clear a call uttered with such a sense of urgency and strong resolve.

### Attempt To Obscure Issue

Throughout the period I have outlined, the Guatemalan Government and Communist agents throughout the world have persistently attempted to obscure the real issue—that of Communist imperialism—by claiming that the United States is only interested in protecting American business. We regret that there have been disputes between the Guatemalan Government and the United Fruit Company. We have urged repeatedly that these disputes be submitted for settlement to an international tribunal or to international arbitration. That is the way to dispose of problems of this sort. But this issue is relatively unimportant. All who know the temper of the U.S. people and Government must realize that our overriding concern is that which, with others, we recorded at Caracas, namely, the endangering by international communism of the peace and security of this hemisphere.

The people of Guatemala have now been heard from. Despite the armaments piled up by the Arbenz government, it was unable to enlist the spiritual cooperation of the people.

Led by Colonel Castillo Armas, patriots arose in Guatemala to challenge the Communist leadership—and to change it. Thus, the situation is being cured by the Guatemalans themselves.

Last Sunday, President Arbenz of Guatemala resigned and seeks asylum. Others are following his example.

Tonight, just as I speak, Colonel Castillo Armas is in conference in El Salvador with Colonel Monzon, the head of the Council which has taken over the power in Guatemala City. It was this power that the just wrath of the Guatemalan people wrested from President Arbenz, who then took flight.

<sup>2</sup> For text of "Declaration of Solidarity for the Preservation of the Political Integrity of the American States Against International Communist Intervention," see BULLETIN of Apr. 26, 1954, p. 638.

<sup>3</sup> For a statement by Secretary Dulles on the arms shipment, see *ibid.*, June 7, 1954, p. 873.

<sup>4</sup> For text of U.S. statement in the Security Council on June 25, see *ibid.*, July 5, 1954, p. 29.



Now the future of Guatemala lies at the disposal of the Guatemalan people themselves. It lies also at the disposal of leaders loyal to Guatemala who have not treasonably become the agents of an alien despotism which sought to use Guatemala for its own evil ends.

The events of recent months and days add a new and glorious chapter to the already great tradition of the American States.

Each one of the American States has cause for profound gratitude. We can all be grateful that we showed at Caracas an impressive solidarity in support of our American institutions. I may add that we are prepared to do so again at the conference called for Rio. Advance knowledge of that solidarity undoubtedly shook the Guatemalan Government.

We can be grateful that the Organization of American States showed that it could act quickly and vigorously in aid of peace. There was proof that our American organization is not just a paper organization, but that it has vigor and vitality to act.

We can be grateful to the United Nations Security Council, which recognized the right of regional organizations in the first instance to order their own affairs. Otherwise the Soviet Russians would have started a controversy which would

have set regionalism against universality and gravely wounded both.

Above all, we can be grateful that there were loyal citizens of Guatemala who, in the face of terrorism and violence and against what seemed insuperable odds, had the courage and the will to eliminate the traitorous tools of foreign despots.

The need for vigilance is not past. Communism is still a menace everywhere. But the people of the United States and of the other American Republics can feel tonight that at least one grave danger has been averted. Also an example is set which promises increased security for the future. The ambitious and unscrupulous will be less prone to feel that communism is the wave of their future.

In conclusion, let me assure the people of Guatemala. As peace and freedom are restored to that sister Republic, the Government of the United States will continue to support the just aspirations of the Guatemalan people. A prosperous and progressive Guatemala is vital to a healthy hemisphere. The United States pledges itself not merely to political opposition to communism but to help to alleviate conditions in Guatemala and elsewhere which might afford communism an opportunity to spread its tentacles throughout the hemisphere. Thus we shall seek in positive ways to make our Americas an example which will inspire men everywhere.

## The Guatemalan Problem Before the OAS Council

*Statement by John C. Dreier*

*U.S. Representative to the Council of the Organization of American States<sup>1</sup>*

I speak today as the representative of one of 10 American countries who have joined in a request that a Meeting of Ministers of Foreign Affairs be convoked to act as Organ of Consultation under articles 6 and 11 of the Inter-American Treaty of Reciprocal Assistance.<sup>2</sup> On behalf of the United States I wish to support this request with all the force and conviction that I can express, feeling profoundly as I and my countrymen do that this is a critical hour in which a strong and positive note of inter-American solidarity must be sounded.

The Republics of America are faced at this time with a serious threat to their peace and independence. Throughout the world the aggressive forces

of Soviet Communist imperialism are exerting a relentless pressure upon all free nations. Since 1939, 15 once free nations have fallen prey to the forces directed by the Kremlin. Hundreds of millions of people in Europe and Asia have been pressed into the slavery of the Communist totalitarian state. Subversion, civil violence, and open warfare are the proven methods of this aggressive force in its ruthless striving for world domination.

Following World War II, in which millions of men died to free the world from totalitarianism, the forces of Communist imperialism took on a freshly aggressive aspect. The first objectives of this new drive for domination were the countries of Eastern Europe and the Balkans. Efforts to overcome Greece and Iran failed because of the heroic resistance of peoples whose courage not only gave them strength to defend their independence

<sup>1</sup> Made before the Council at Washington, D. C., on June 28 (press release 353).

<sup>2</sup> For text of the request, see BULLETIN of July 5, 1954, p. 31.

but also brought them the moral and material support of other countries directly and through international organizations.

Communist forces then turned their attention to Asia. Following the fall of China came the stark aggression of the Korean war where once more the united forces of the free world, acting through the United Nations, stemmed the tide of Soviet Communist imperialism.

More recently, we have seen the combination of Communist subversion and political power, backed with weapons from the Communist arsenal, strike deep into Southeast Asia and threaten to engulf another populous area of the world as it emerges from colonialism.

And now comes the attack on America.

Until very recently we of the Americas, here in our continental bastion, have felt ourselves relatively far from the field of open conflict. To be sure, in all our countries the international Communist organization has for some time undertaken its insidious work of attempting to undermine our institutions and to achieve positions of influence in public and private organizations. But only within the last few years has there been evidence of a real success on the part of the international Communist organization in carrying to this hemisphere the plagues of internal strife, and subservience to a foreign imperialism, which had previously been inflicted upon other areas of the world. That success marks the problem for which the treaty of Rio de Janeiro is now invoked as a measure of continental defense.

Mr. Chairman, this is not the time and place in which to enter into a discussion of the substance of the problem which will be placed before the Organ of Consultation when it meets. At this time it is the function of the Council merely to consider the validity of the request that the Organ of Consultation be convoked.

In support of the request for a meeting, I should like to cite briefly the following compelling arguments.

#### Anti-Communist Declarations

First, the American Republics have several times during recent years clearly and unequivocally stated their opposition to the objectives and methods of the international Communist movement which, by its very nature, is incompatible with the high principles that govern the international relations of the American States. This viewpoint was clearly enunciated at the Ninth Inter-American Conference, which in Resolution 32 declared that by its antidemocratic nature and its interventionist tendency the political activity of international communism was incompatible with the concept of American freedom. This thought was echoed at the Fourth Meeting of Foreign Ministers which, furthermore, pointed out that the subversive action of international communism recognized

no frontiers and called for a high degree of international cooperation among the American Republics against the danger which such actions represented.

Only a few months ago at Caracas the American States expressed their determination to take the necessary measures to protect their political independence against the intervention of international communism, and declared that the domination or control of the political institutions of any American State by the international Communist movement would constitute a threat to the sovereignty and political independence of the American States, endangering the peace of America.

There is no doubt, Mr. Chairman, that it is the declared policy of the American States that the establishment of a government dominated by the international Communist movement in America would constitute a grave danger to all our American Republics and that steps must be taken to prevent any such eventuality.

#### Communist Penetration in Guatemala

Second, I should like to affirm the fact that there is already abundant evidence that the international Communist movement has achieved an extensive penetration of the political institutions of one American State, namely the Republic of Guatemala, and now seeks to exploit that country for its own ends. This assertion, which my Government is prepared to support with convincing detail at the right time, is clearly warranted by the open opposition of the Guatemalan Government to any form of inter-American action that might check or restrain the progress of the international Communist movement in this continent; by the open association of that Government with the policies and objectives of the Soviet Union in international affairs; by the evidences of close collaboration of the authorities in Guatemala and authorities in Soviet dominated states of Europe for the purpose of obtaining under secret and illegal arrangements the large shipment of arms which arrived on board the *M/S Alphen* on May 15, 1954; by the efforts of Guatemala in the United Nations Security Council, in collaboration with the Soviet Union, to prevent the Organization of American States, the appropriate regional organization, from dealing with her recent allegations of aggression, and finally by the vigorous and sustained propaganda campaign of the Soviet press and radio, echoed by the international Communist propaganda machine throughout the world in support of Guatemalan action in the present crisis.

The recent outbreak of violence in Guatemala adds a further sense of urgency to the matter. We well know from experience in other areas into which the international Communist movement has penetrated the tragic proportions to which this inevitable violent conflict may ultimately extend.



The above facts, Mr. Chairman, I submit, are more than enough to demonstrate the need for a prompt meeting of the Organ of Consultation as has been proposed in the note which was read at this meeting today.

Within the last 24 hours it appears that there has been a change in the Government of Guatemala. It is not possible, however, in the opinion of my Government, to arrive at any considered judgment of how this change may affect the problem with which we are concerned. Under the circumstances, it would appear to be essential that we do not relax our efforts at this moment, but proceed with our plans in order to be ready for any eventuality. At the same time, we should of course all watch developments in Guatemala carefully and be prepared subsequently to take whatever steps may prove necessary in the light of future events.

I should like to emphasize the fact that the object of our concern, and the force against which we must take defensive measures, is an alien, non-American force. It is the international Communist organization controlled in the Kremlin which has created the present danger. That it is rapidly making a victim of one American State increases our concern for that country and our determination to unite in a defense of all 21 of our American nations. We are confident that the international Communist movement holds no real appeal for the peoples of America and can only subdue them if allowed to pursue its violent and deceitful methods unchecked. Having read the tragic history of other nations seduced by Communist promises into a slavery from which they later could not escape, we wish to leave no stone unturned, no effort unexerted, to prevent the complete subordination of one of our member states to Soviet Communist imperialism. For when one State has fallen, history shows that another will soon come under attack.

Now, Mr. Chairman, in the Americas we have established ways for dealing with these problems that affect the common safety. We are pledged to maintain continental peace and security through our solidarity expressed in consultation and joint effort. In the Inter-American Treaty of Reciprocal Assistance we have the vehicle through which we can merge our individual efforts in order to take the measures necessary for the maintenance of continental peace and security. The meeting of the Organ of Consultation which we request here today is in fulfillment of the principles and procedures which the American Republics have laid down for dealing with threats to their independence, sovereignty, and peace. If that system of international relations of which the peoples of this hemisphere are so rightfully proud is to endure, it must resolutely meet the challenge which Soviet Communist imperialism has now thrown down to it.

If we take a valiant course and courageously

face the danger which menaces us we will again prove, as America has proved in the past, the power of our united will. That, I am sure, we shall do because of what is at stake. There hang in the balance not only the security of this continent but the continued vitality and existence of the Organization of American States and the high principles upon which it is founded. In our decisions at this hour we may well profoundly affect the future of our American way of life.

Mr. Chairman, I urge that this Council promptly approve the proposal that the Organ of Consultation be invoked; that the date be set as of July 7 next; and that the decision be taken here and now so that the entire world may be given evidence of our determination to act effectively in the present crisis.<sup>3</sup>

## Brazil Makes Final Payment on Lend Lease Obligation

Press releases 358, 359 dated July 1

Ambassador João Carlos Muniz of Brazil on July 1 presented a check for \$5 million to Secretary Dulles. This represents the final payment by the Government of Brazil on its lend-lease obligation.

Besides the Secretary and Ambassador Muniz, those present at the ceremony in the Secretary's office were Mario da Camara, Financial Counselor of the Brazilian Embassy; Henry F. Holland, Assistant Secretary for Inter-American Affairs; Samuel C. Waugh, Assistant Secretary for Economic Affairs; and Charles W. Kempter of the Department of State's Lend Lease and Surplus Property Staff.

The lend-lease material was supplied to Brazil during the last war to meet the serious threat of an enemy invasion of the Western Hemisphere and to support Brazil's military effort as an active ally. Brazilian-United States cooperation in this period represented exceptionally close and effective relations between the two countries.

Brazil has paid each installment on her lend-lease obligation regularly and in full.

Following are the texts of remarks made at the ceremony on July 1:

### Statement by Ambassador Muniz

This official act has a significance deeper than that of the mere delivery of a check in payment of the terminal installment of lend-lease between our two countries. It brings to our mind the recollec-

<sup>3</sup> The Council voted on June 28 to convoke a Meeting of Ministers of Foreign Affairs at Rio de Janeiro on July 7.

Following the cease-fire in Guatemala on June 29 and the reaching of a settlement on July 1, the Council on July 2 approved a U.S. proposal that the Meeting of Foreign Ministers be postponed.



tion of days not long past, when our peoples stood and fought side by side, in defense of ideals and principles which we hold to be fundamental to our conception of life and civilization.

It is fitting, therefore, that we should pause and consider today that memorable phase in the history of our countries, in which the United States and Brazil joined their military forces for the preservation of freedom. This reflection is all the more important because the struggle for freedom is still going on and the menace of world enslavement, though in another form, is as great today as it was when the soldiers of our countries faced together the perils of the battlefield.

In the midst of the staggering difficulties of our times, it is a source of strength and relief to know that the friendship that unites our two countries, and which derives inspiration from the same ideals, is being rendered still closer by the practice of daily cooperation in so many sectors of our activities.

Lend lease, the material part of which terminates today, remains a symbol of solidarity between our two peoples.

#### Statement by Secretary Dulles

Mr. Ambassador, it is a very special honor for me to receive this note and check from the great Republic of Brazil not alone for its monetary value but for its significance as another of the many evidences of the honor which Brazil gives to her international obligations.

This final payment of \$5 million, which closes the account known as the Brazilian Lend-Lease Settlement Arrangement, ends an outstanding chapter in the long history of loyal cooperation between the United States and Brazil.

The mutual aid principles of lend-lease were successfully applied by our two Governments against the threats of an enemy invasion of our Western Hemisphere in World War II.

The world knows of the proud and valiant campaign waged by the soldiers and aviators of the Brazilian Expeditionary Force in the Mediterranean war theater. Their bravery and valor are recorded on the pages of history, and certainly the memory of those men of Brazil will remain enshrined in the hearts of both our nations.

Then there was the Brazilian Navy. The rapidly growing sea power of Brazil, both in col-

laboration with our own South Atlantic Fleet and acting independently, kept open strategic sea lanes for commerce in the vast waters from the Caribbean southward. The vigilance, preparedness, and ability of the officers and crews of the Brazilian Navy is a proud record.

The cost of victory to Brazil—as to the United States—was not small, but over the postwar years Brazil has fulfilled each term of her commitments unfailingly. Now, today, in what must be a soul-satisfying conclusion, Brazil writes yet another honorable chapter in her history.

However, even before we fully emerged from the shadows of the conflict, our world passed into a new and demanding era, with Soviet imperialism seeking implacably first to divide and then to conquer the free nations. As we face today's crucial world problems, we know that adherence to our common democratic ideals, with mutual trust and respect between our two nations, is imperative. I am confident that we will always be found standing side by side with the strength and determination to defend and hold firm to our cherished principles of freedom and democracy.

#### Outbreak of Violence in Jerusalem

Press release 363 dated July 2

The following message was sent by the U.S. Government to the Governments of Jordan and Israel on July 1:

The United States Government has been informed that widespread heavy firing broke out in Jerusalem on June 30 and has since continued intermittently, reportedly having been resumed even after an agreement on cease fire was reached at a meeting of the Israel-Jordan Mixed Armistice Commission on July 1. The United States Government deplors this serious outbreak of violence in the Holy City, with its attendant loss of life, and urges the Government of (Jordan) (Israel) to take immediate steps to insure the observance of the cease fire. The United States Government is transmitting an identical request to the Government of (Israel) (Jordan).

The U.S. Government earnestly hopes that the two Governments concerned will cooperate wholeheartedly with General Vagn Bennike, Chief of Staff of the U.N. Truce Supervision Organization, in his efforts to terminate this serious clash.

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July 1

## Anglo-American Discussions on International Situation

*British Prime Minister Sir Winston Churchill and Foreign Secretary Anthony Eden were in Washington June 25-29 for discussions with President Eisenhower and Secretary Dulles. Following are the texts of joint statements issued by the President and the Prime Minister.*

### STATEMENT OF JUNE 28

White House press release

At the end of their meetings today, the President and the Prime Minister issued the following statement:

In these few days of friendly and fruitful conversations, we have considered various subjects of mutual and world interest.

#### I. Western Europe

We are agreed that the German Federal Republic should take its place as an equal partner in the community of Western nations, where it can make its proper contribution to the defense of the free world. We are determined to achieve this goal, convinced that the Bonn and Paris Treaties provide the best way. We welcome the recent statement by the French Prime Minister that an end must be put to the present uncertainties.

The European Defense Community Treaty has been ratified by four of the six signatory nations, after exhaustive debates over a period of more than two years. Naturally these nations are unwilling to disregard their previous legislative approvals or to reopen these complex questions.

In connection with these treaties, the United States and the United Kingdom have given important assurances, including the disposition of their armed forces in Europe, in order to demonstrate their confidence in the North Atlantic Community and in the EDC and the Bonn Treaties.<sup>1</sup>

It is our conviction that further delay in the entry into force of the EDC and Bonn Treaties would damage the solidarity of the Atlantic nations.

We wish to reaffirm that the program for European unity inspired by France, of which the EDC is only one element, so promising to peace and prosperity in Europe, continues to have our firm support.

#### II. Southeast Asia

We discussed Southeast Asia and, in particular, examined the situation which would arise from the

conclusion of an agreement on Indochina. We also considered the situation which would follow from failure to reach such an agreement.

We will press forward with plans for collective defense to meet either eventuality.

We are both convinced that if at Geneva the French Government is confronted with demands which prevent an acceptable agreement regarding Indochina, the international situation will be seriously aggravated.

#### III. Atomic Matters

We also discussed technical cooperation on atomic energy. We agreed that both our countries would benefit from such cooperation to the fullest extent allowed by U.S. legislation.

#### IV

In addition to these specific matters, we discussed the basic principles underlying the policy of our two countries. An agreed declaration setting forth certain of these will be made available tomorrow.

### DECLARATION OF JUNE 29

White House press release

As we terminate our conversations on subjects of mutual and world interest, we again declare that:

(1) In intimate comradeship, we will continue our united efforts to secure world peace based upon the principles of the Atlantic Charter, which we reaffirm.

(2) We, together and individually, continue to hold out the hand of friendship to any and all nations, which by solemn pledge and confirming deeds show themselves desirous of participating in a just and fair peace.

(3) We uphold the principle of self-government and will earnestly strive by every peaceful means to secure the independence of all countries whose peoples desire and are capable of sustaining an independent existence. We welcome the processes of development, where still needed, that lead toward that goal. As regards formerly sovereign states now in bondage, we will not be a party to any arrangement or treaty which would confirm or prolong their unwilling subordination. In the case of nations now divided against their will, we shall continue to seek to achieve unity through free elections supervised by the United Nations to insure they are conducted fairly.

(4) We believe that the cause of world peace would be advanced by general and drastic reduction under effective safeguards of world armaments of all classes and kinds. It will be our per-

<sup>1</sup> BULLETIN of Apr. 26, 1954, p. 619.

severing resolve to promote conditions in which the prodigious nuclear forces now in human hands can be used to enrich and not to destroy mankind.

(5) We will continue our support of the United Nations and of existing international organizations that have been established in the spirit of the Charter for common protection and security. We urge the establishment and maintenance of such associations of appropriate nations as will best, in their respective regions, preserve the peace and the independence of the peoples living there. When desired by the peoples of the affected countries we are ready to render appropriate and feasible assistance to such associations.

(6) We shall, with our friends, develop and maintain the spiritual, economic and military strength necessary to pursue these purposes effectively. In pursuit of this purpose we will seek every means of promoting the fuller and freer interchange among us of goods and services which will benefit all participants.

*Dwight D. Eisenhower*  
*Winston S. Churchill*

### Meeting of Representatives of ANZUS Governments

*The presence in Washington of Richard G. Casey, Australian Minister for External Affairs, who was returning to Australia from the Geneva Conference, made possible the holding on June 30 of an informal consultative meeting of representatives of the signatories to the ANZUS treaty. Secretary Dulles represented the United States, and Ambassador Leslie Knox Munro represented New Zealand. Following is the text of a statement issued after the meeting:*

Press release 356 dated June 30

Today's ANZUS meeting was one in the continuing series of such meetings providing close consultation among Australia, New Zealand, and the United States, the three signatories to the ANZUS treaty.

The situation in Southeast Asia was discussed in the light of current developments, including the talks just concluded in Washington between the United Kingdom and the United States.

The Australian and New Zealand representatives expressed satisfaction with the statement by President Eisenhower and Sir Winston Churchill

that plans for collective defense in Southeast Asia should be pressed forward. They also shared the conviction expressed that, if at Geneva the French Government is confronted with demands which prevent an acceptable agreement regarding Indochina, the international situation will be seriously aggravated.

All three representatives at the ANZUS meeting agreed on the need for immediate action to bring about the early establishment of collective defense in Southeast Asia—an area in which the three participating countries are all vitally concerned.

### U.S. and Canada To Discuss Development of Seaway

*Following are the texts of notes exchanged by the U.S. Ambassador at Ottawa, R. Douglas Stuart, and the Canadian Secretary of State for External Affairs, Lester B. Pearson.*

#### U.S. NOTE OF JUNE 7

SIR: I have the honor of conveying to your Government a copy of an Act of Congress signed by the President on May 13, 1954 (Public Law 358, 83rd Congress, Second Session) creating the St. Lawrence Seaway Development Corporation which, under certain conditions, is authorized and directed to construct in United States territory a portion of the St. Lawrence Seaway. The Corporation is to be headed by an Administrator appointed by the President by and with the advice and consent of the Senate; it is directed to undertake certain negotiations with the St. Lawrence Seaway Authority of Canada or, in the case of tolls, "such other agency as may be designated by the Government of Canada" and to construct, operate and maintain certain navigation works in coordination with the St. Lawrence Seaway Authority of Canada. The Act specifies that the navigation works in United States territory shall be "substantially in accordance with" the plan set forth in the joint report of January 3, 1941 by the Canadian Temporary Great Lakes-St. Lawrence Basin Advisory Committee and the United States St. Lawrence Advisory Committee to the President of the United States and the Prime Minister of Canada.

Because the Act of Congress cited above confers specific powers on the Governmental Corporation which would carry out the work on the United States side, it is from the point of view of the United States desirable if not essential that representatives of this Corporation participate in negotiations related to the construction of the Seaway.

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I have therefore been requested to suggest that, as soon as may be convenient after the initial organization of the St. Lawrence Seaway Development Corporation, detailed discussions take place between representatives of the two Governments on the planning and execution of the Seaway development in both countries. I should appreciate receiving your comments on the proposed procedure and, in order to expedite negotiations, I should be glad to receive a list of the specific topics which, in the opinion of the Canadian Government, might be covered in such negotiations.

Accept, Sir, the renewed assurances of my highest consideration.

#### CANADIAN REPLY OF JUNE 16

EXCELLENCY, I have the honour to thank you for having sent me, under cover of Note No. 281 of June 7, 1954, a copy of the Act of Congress creating the St. Lawrence Development Corporation, which, under certain conditions, is authorized to construct in United States territory a portion of the St. Lawrence Seaway. In that Note you suggested that detailed discussions take place between representatives of the two governments on the planning and execution of the seaway development in both countries.

You will recall that our two governments made arrangements, embodied in an Exchange of Notes dated June 30, 1952,<sup>1</sup> for the construction by Canada of works to allow uninterrupted 27-foot navigation between Lake Erie and the port of Montreal and that the Canadian undertaking to provide this portion of the seaway was predicated on the construction and maintenance by suitable entities in Canada and the United States of a sound power project in the International Rapids Section. Since these arrangements were made, both governments have worked closely together and it now appears that, due in a large measure to your government's active and unfailing attention in seeking to remove obstacles in the United States which would delay the construction of the power project, this phase of the project is likely to be started in the near future. The Canadian Government assumes that the suggestion for discussions contained in your Note is made with a view to reexamining the arrangements for the construction of the seaway now existing between our governments and confirmed in the Notes exchanged on June 30, 1952.

The Government of Canada is prepared to discuss this matter provided, as indicated in the Prime Minister's memorandum of January 9, 1953, to your predecessor, and in the Prime Minister's statement in the House of Commons on May 6, 1954, that such discussions do not seriously delay construction of either the power project or the seaway.

<sup>1</sup> BULLETIN of July 14, 1952, p. 65.

July 12, 1954

In order to expedite matters, I suggest that it might be appropriate to hold in Ottawa during the week of June 28, 1954, meetings of officials from the United States and Canada who might prepare a list of specific topics which might form the basis for subsequent inter-governmental discussions.

Accept, Excellency, the renewed assurances of my highest consideration.

#### U.S. Rejects Soviet Charges of Interference With Tanker

##### Text of U.S. Note of June 26

Press release 352 dated June 26

*Following is the text of a note delivered on June 26 by the U.S. Embassy at Moscow to the Soviet Ministry of Foreign Affairs:*

The United States Government refers to the Soviet Government's note of June 24 regarding interception of the Soviet tanker *Taupse* by a war vessel of the destroyer type in Far Eastern waters.

The United States Government rejects as completely without foundation the allegations made by the Soviet Government that Naval Forces of the United States have seized or otherwise interfered with the movement of the Soviet tanker in question.

##### Soviet Note of June 24

The Soviet Government considers it necessary to state the following to the Government of the U.S.A.

On June 23, 1954 at 4 o'clock local time, the Soviet tanker *Taupse* of the Black Sea Merchant Fleet, proceeding with a cargo of illuminating kerosene in the open sea south of the Island of Taiwan, was stopped by a war vessel of the destroyer type at a spot with coordinates 19 degrees 55 minutes north latitude and 120 degrees 23 minutes east longitude and under threat of the use of arms was forced to change course and to follow after this war vessel. Following receipt of a communication from the captain of the tanker concerning the attack of an armed vessel of the destroyer type, radio communication with the tanker was disrupted. The further fate of the Soviet ship and its crew is unknown.

It is entirely obvious that seizure of a Soviet tanker by a war vessel in waters controlled by the U.S. naval fleet could be carried out only by naval forces of the U.S.

The Soviet Government expects that in connection with this attack on a Soviet merchant vessel in the open sea the Government of the U.S. will take measures for the immediate return of the ship, its cargo, and crew. At the same time the Soviet Government insists on the severe punishment of the responsible American personnel who took part in the organization of this illegal act and on the adoption of measures which would exclude the possibility of repetition of similar acts which grossly violate the freedom of navigation in the open sea.

The Soviet Government considers it essential to state that it cannot overlook such impermissible acts and will be forced to take appropriate measures to guarantee the safety of navigation of Soviet merchant vessels in this region.

## The Tasks and Accomplishments of the Free World

by James B. Conant

United States High Commissioner for Germany<sup>1</sup>

The fact that the Kiel festival week is again being celebrated shows us the progress reconstruction has made in Germany. For I like to consider this week, devoted to sailboat races and art, as a symptom of political, economic, and spiritual recovery. You know that almost the entire world is talking of the miracle of German recovery and in that connection, quite properly, praises German industriousness as one of the reasons for the rapid rehabilitation. With all due admiration for German industriousness, however, I should like to make a somewhat heretical remark. I personally am glad not only because the Germans can work hard; I am just as glad because they know how to hold festivals and devote themselves to such a fine pleasure as the artistic sport of sailing.

Perhaps my predilection is due to the fact that I myself grew up on a coast and spent many a happy childhood hour in a small sailing boat. I feel here as if transported back to my own youth. I have already mentioned that a large number of foreign diplomats have come from Bonn to Kiel at the invitation of the German Federal Government. One almost has the impression that for the duration of the Kiel regatta the Federal capital is not on the Rhine but on the Kiel Canal. To be sure, I cannot tell whether all the foreign representatives from Bonn have come, for the diplomatic corps is after all a very large group.

As you know, many different nations are today represented in Bonn: large and small countries; the neighbors of the German Federal Republic and the antipodes; industrial states and predominantly agricultural states; countries with a culture older than the European, such as India, Pakistan, and Egypt, for example; pioneer states such as the U. S. A., Canada, and Australia; Christian, Mohammedan, Buddhist, and Shintoist nations.

<sup>1</sup> Excerpts from an address delivered in German at Kiel, Germany, on June 22.

However different these nations represented in Bonn may be, they have one decisive characteristic in common: They all belong to the free world. The fact that there are also other nations which are not represented in Bonn reminds us constantly of the difficult problems with which our era has to contend. And with that, I have come to the subject of my speech, the tasks and accomplishments of the free world.

### Origins of Communist Dogma

Marx and Engels knew from their own experience the first effects of the industrial revolution in England—and these effects were often shocking. Naturally, a man of the twentieth century would also find the life of a peasant a hundred years ago rather unpleasant, but that does not alter the fact that the life of a factory worker in the early period of the industrial revolution, compared with the life of a factory worker in our day, was inhumanly hard. Marx was convinced that in a capitalist society the life of an industrial worker must always remain equally unendurable—in fact, it must even grow constantly worse. The history of the last hundred years has refuted Karl Marx. It is an irony of fate that precisely in our time, when his predictions proved to be false, Karl Marx was elevated by his followers to the status of an allegedly infallible prophet of a fanatical sect.

You all know how in the twentieth century the Soviet Russians have misused their own interpretation of the Marxist dogma that arose in the nineteenth century to establish a terrible tyranny in Russia and subjugate a large number of unfortunate neighboring states. After the Soviet seizure of power this dogma was declared a state religion, so to speak. I should like to suggest that you take a look some time at the list of books prescribed at the Communist-dominated Humboldt University in East Berlin. What the student in the East learns about politics, economics, his-

tory, and philosophy comes either from the writings of Marx and Engels or from the writings of the official Soviet Russian interpreters of the Marxist dogma, that is, Lenin and Stalin. The student is to be given the impression that, except for these four patron saints of the Soviet tyranny and a couple of thinkers from the Soviet Zone, such as Messrs. Pieck and Ulbricht, no man has even said anything of importance about human society.

This grotesque mixture of antiquated Marxist dogma and even more antiquated Russian pipe dreams which is forced on the student in the East is ultimately based (as I want to emphasize here again) on the completely outmoded analysis of human society which Marx originated a hundred years ago under the influence of the upheavals of the industrial revolution. Although the Communist Party likes to call itself a progressive party, it nevertheless reveres a dogma which any objective observer recognizes as long since refuted by the course of history.

The Marxist attitude toward natural science, for example, is the attitude of a generation which saw in the teaching of the conservation of energy and the atom theory the ultimate truths about the nature of the world. This generation, of course, did not as yet have any inkling of Einstein's theory of relativity, Planck's quantum theory, or modern nuclear physics. The Marxist attitude toward economics is the attitude of a generation which did not yet know how greatly the general standard of living, hence also that of the industrial worker, can be raised. After all, no person could imagine a hundred years ago what the life of a worker in present-day America, for example, would be like—a worker who drives his own car, who works only 40 hours a week, and whose children study at a university. Where free discussion is possible and where the initial difficulties of the industrial revolution have been overcome, today's version of the Marxist-Leninist dogma has little power of attraction. Think, for example, of the nonsense which Molotov brought up at the Berlin Conference about allegedly free elections. Molotov insisted that a genuinely democratic government and genuinely free elections were found only where one party alone is permitted. Now, only few persons outside the Russian sphere of power will today be convinced by these outrageous assertions.

On the other hand, the Communist dogma still finds adherents in two social orders: first, in countries such as Soviet Russia and its satellite states, where Marxism-Leninism has been made a state religion and is protected against the competition of modern ideas by all the means at the disposal of the state; secondly, in areas which are just now going through the inevitably difficult first phase of industrialization. The revolutionary change in the social order which industrialization always brings with it gives rise in every society to dis-

satisfaction and resentments. These resentments are especially strong in former colonial areas, where they often combine with old feelings of hatred against a colonial rule. The Kremlin has been trying for years to exploit such feelings of hatred in the interest of Soviet Russian strivings for power.

What are the problems with which the free world is now confronted as a result of this difficult international situation, and what has the free world done thus far to master these problems?

#### Awakening of Free World

For the sake of historical truth I want to admit at once that it is less than 10 years since the free world recognized once for all the lust for expansion of the rulers in the Kremlin and hardly 5 years since the free world took the first measures to safeguard its own security. It is true that the whole world was given a clear warning when the Bolshevik regime reached an agreement with its alleged mortal enemy, the National Socialist regime, on the fourth partition of Poland and subjected millions of non-Russians and anti-Bolsheviks to its tyranny. But this warning was not heard in the tumult of the war which was then raging over the Continent. I must confess that after the end of the war many people in the Anglo-Saxon countries cherished the naivest hopes for the future. They constantly proclaimed that the Soviet Union would, to be sure, go its own way in politics and economics but would also respect other nations' right of self-determination. What happened in the next 3 years opened the eyes of everyone. After the brutal rape of Czechoslovakia, which by a Communist *coup d'état* reduced an independent state to a satellite, there could be no more doubt about the real aims of the Kremlin. In the meantime many an illusion has been dispelled. I believe that even those non-Communist German politicians in the Soviet Zone who a few years ago still maintained that the Communists merely desired to collaborate in good faith in a coalition government—I believe that even these gentlemen have by now recognized the real aims of the Kremlin.

Now you will with good reason ask: "And what has the free world done since it became clearly aware of the danger? What has it accomplished in the last few years?"

May I remind you here of some facts which are so well known to all of us that we hardly speak or think about them any more.

One of the most important accomplishments of the free world during the last few years, I would say, is the recovery in the German Federal Republic. Nothing is further from my mind than glossing over the still unsolved problems in Germany. But even if one is fully aware of these problems, one can only speak with admiration of what has been accomplished in Germany since the



currency reform. I have already spoken a word of praise for German industriousness; permit me here also to add a word of praise for those former enemy nations who were willing, only a few years after a bitter war, to aid German recovery as far as they were able.

But not only Germany needed economic assistance in the postwar years. Throughout Europe the economic situation after the Second World War was threatening. A second important accomplishment of the free world, I would say, is that it succeeded with the aid of such bold, original measures as, for example, the Marshall plan in preventing the threatening economic catastrophe in Europe. We know from the statements of leading Soviet officials that the Soviet Union was counting on an economic crisis in the free world in the postwar years and consequently new possibilities of expansion for bolshevism. That such an economic crisis was avoided was of crucial importance for the future of the entire free world.

The hopes of the Bolsheviks for economic chaos in Europe in the postwar years failed to materialize; two attempts at conquering new territories in Europe by brute force were likewise unsuccessful. I refer to the civil war in Greece engineered by neighboring Communist countries and to the Berlin blockade. That Greece and Berlin were saved, thanks to the courage of the people and the effective help of the free world, may also be scored as an important accomplishment.

Only a couple of weeks ago a well-known German statesman said to me: "The failure of the Berlin blockade was a great victory for the free world and the result of the cooperation of a man of determination and a people with courage."

#### **NATO's Contribution to Security**

I am convinced that future historians will also count the organization of NATO as one of the great achievements of the free world. Everyone in the free world who still remembers how a few years ago a Western Europe without any possibility of defense faced a Soviet Union armed to the teeth will gratefully acknowledge the NATO contribution to international security.

General Gruenther said recently that the troops in free Europe ready for defense were today three to four times as strong as in January 1951, at the time when [General] Eisenhower assumed office as chief of SHAPE. SHAPE could today counter any attack with strong forces. To be sure, the middle sector of the defense line is not strong enough. Therefore SHAPE has recommended a German defense contribution. But even without this contribution SHAPE has created such a strong shield for Europe that the Soviet troops assembled in the occupied areas of Eastern Europe could today no longer be certain of defeating the troops under SHAPE.

However novel the mutual security system of

the Atlantic nations may be, the establishment of NATO is actually only the formal recognition of a historical reality which developed in the course of time. Even before the North Atlantic Pact was signed, there was a family of Atlantic nations. Every member of this family knew that its own security was endangered as soon as the security of the other members was threatened. The establishment of NATO merely sealed this realization.

Another thing that I believe it is hardly necessary to emphasize is that NATO serves defensive not offensive, aims. No member of NATO is thinking of a third world war to break through the Iron Curtain which today divides Germany and Europe. Of course, we in the free world should never regard this curtain as permanent; we must naturally do all in our power to bring about the day of German reunification in peace and freedom. I for one am firmly convinced that the day of German reunification will come. I am just as firmly convinced that this day must be achieved in peace and freedom and that the overwhelming majority of the Germans in East and West Germany share this conviction. Even when the German people, which suffers most from the division of Europe, through EDC ties itself to NATO, nobody will have the least reason to see anything else in NATO than an instrument of defense.

#### **European Integration**

And with that, we have come to the much discussed problem of European integration. On no other subject have I had so many conversations since my arrival in Germany 16 months ago. Just recently I again had an opportunity, at a private gathering, to speak with representatives of German politics and economy about European integration. On this occasion a refugee from the East in particular expressed very pessimistic views. He said among other things: "Today there is so much talk about European unity, but in my youth this unity actually existed. Since 1945, on the other hand, Germany and Europe have been torn asunder; there is talk of integration, to be sure, but actually nothing happens."

I could very well understand why a refugee from the eastern areas of Germany is filled with deep sorrow over the present—but I could not share his views on recent European history. It seemed to me that he credited the period of his youth with advantages which it by no means possessed. The very fact that in the last half century two terrible wars were started in Europe should warn us against an uncritical glorification of the past.

The objective historian will probably say that the characteristic feature of Europe before the First World War was not unity but division and nationalistic hostility. The bitter enmity between Germany and France at that time threatened any moment to start a conflagration in Europe. In the Austro-Hungarian nation, too, which the man

with whom I was conversing praised as a model for the cooperation of various ethnic groups, such strong feelings of hatred had been built up before the First World War that the various national groups strove to break apart forcibly as soon as the central government was weakened by military defeat.

But even if the past had possessed all the advantages which this man seemed to think it had, it could not serve us as a model for the future. Large areas of Europe which 75 years ago were still entirely agricultural are today industrialized. For example, in 1871 two-thirds of the population of the German Empire lived in the country and only one-third in the city. In 1933 the ratio was exactly the reverse: Only one-third of the population still lived in the country and two-thirds lived in the city. Quite apart from the basically different political situation in the world today, the industrialization of former agricultural areas would in itself necessarily lead to a new order among the European nations. Even if it should seem desirable, a restoration of the Europe of 1914 would therefore be altogether impossible.

On the other hand, a modern solution of European problems, namely the economic, political, and military integration of the free nations in Europe, is not only possible but is actually demanded by the economic and political realities of our time. Naturally I know only too well the obstacles which have mounted up time and again recently on the road to European integration. Nevertheless, I say here quite frankly: Without a reconciliation of the historic German-French conflicts, without close cooperation of the free European nations in all fields, without a new communal spirit in a free Europe instead of the traditional divergencies, free Europe does not have any future at all.

Chancellor Adenauer said recently in a speech before the Bundestag:

Let us, Ladies and Gentlemen—and I address these words far beyond this hall to all people of good will in free Europe—realize the seriousness of this period and let us prove ourselves equal to its demands, so that later generations may not condemn us as weak and shallow. We must realize clearly that, if the union of European nations fails, the existence of this Continent will be imperiled.

As a foreign observer who follows developments in Europe with the greatest interest I want to say that I agree with this statement completely.

#### Question of French Ratification

I must admit that the European movement has not exactly been helped by the delay in the ratification of Epc. The fact that up till now no French Government has been in a position to submit the treaty to Parliament for ratification has been a great disappointment. We should not forget, however, that even here in Germany ratification was concluded only a few months ago. Besides, we

know that France in this period has had to battle with difficult problems created by the crisis in Indochina. The whole free world has followed with sympathy and understanding the French effort to solve these problems.

That the majority of the French people, despite all difficulty, favors ratification of Epc is confirmed by all the information at my disposal. This majority knows that without Epc the whole European unity movement would be jeopardized and that a decision in this vital question cannot be delayed interminably. A few days ago President Eisenhower expressed this same conviction in a letter to President Coty.<sup>2</sup> He wrote that he hoped the European Defense Community would be realized while there was still the opportunity to do so. We all know that this opportunity will not offer itself much longer. Time is of the essence. All these facts force me to believe that the French Parliament will ratify Epc before the summer recess.

#### Commemoration of German Day of Unity and Freedom

*On behalf of the United States Government, U.S. High Commissioner James B. Conant on June 17 presented to Chancellor Adenauer the following message:*

Today the German people commemorate the Day of German Unity and Freedom. One year ago, the workers of the Soviet Zone of Germany rose in a defiant demonstration against their Communist masters to demand that Germany be unified in freedom. That outcry of an oppressed people was heard around the world. Our own history teaches us that the urge of man to enjoy security, to live in liberty and to follow the dictates of his conscience are basic rights which cannot be denied to a people indefinitely.

We therefore join the German people in their commemoration of June 17 and pledge ourselves to use every appropriate occasion to assist the German people in their aim to achieve by peaceful means those freedoms for their countrymen in East Germany.

The way to German reunification, too, leads through European integration, in my opinion. I am convinced that the Russians will not let go of the zone of Germany they occupy until they realize that they cannot use this part of Germany as a springboard for the conquest of all of Europe. As long as the Russians cling to their old wishful thinking that they could push the boundary of their sphere of power up to the Atlantic Ocean, they will not agree to a reunification of Germany in peace and freedom. I believe, however, that, when this dream turns out to be an illusion—and a unified Europe ought to be convincing proof that these Soviet designs cannot be carried out—then

<sup>2</sup> BULLETIN of June 28, 1954, p. 990.



the realists in the Kremlin will be prepared for real negotiations concerning German reunification.

Up till then, till the day of reunification, which will come, the free world must give the people in the East the feeling of certainty that they have not been forgotten, that they have not been written off by the West, that the time of their suppression will end.

Last week I handed to the Chancellor a message from the American Government in which my Government assumes the obligation to assist the German people in winning back, by peaceful means, freedom and human rights for their brethren in the Soviet Zone. In other words, the free world has recognized that the reunification of Germany in peace and freedom is one of its most important tasks. However, we must not forget that the free world has to solve important tasks not only in Europe but all over the world. If we look back on what the free world has accomplished in the span of a few short years, we will not shrink from these tasks but view the future with determination and confidence.

## FOA Announcements

### Defense Support Funds for Italy

The Foreign Operations Administration on June 16 announced a \$20 million allotment of defense support funds for Italy with the double objective of providing raw materials needed by Italian industry and stimulating economic development in the country's underdeveloped southern and insular areas.

To meet the two objectives:

1. The dollars will enable Italy's industries to purchase raw materials available only in the United States and other dollar areas.
2. The lira equivalent of these dollars—counterpart funds—to be paid by the Italian industries for the raw materials will provide a revolving industrial loan fund for continental Southern Italy, Sicily, and Sardinia.

Italian industries are producing a large variety of military equipment—naval vessels, arms, ammunition, etc.—for use by Italian and other NATO forces.

The chief purpose of the loan fund is to promote a more rapid growth of industry in what has been recognized as a sore spot in the economy of Italy affecting the security and prosperity not only of all of Italy, but also of Western Europe. Establishment of the special funds, together with previously taken measures, underlines the importance which both the Italian and the U.S. Governments attach to revitalizing these depressed areas, which comprise some two-fifths of Italy's 115,000 square miles.

Plagued by inadequate agricultural and industrial production, chronic unemployment, and underemployment, the 17 million people of the five regions south of Rome, of Sicily and of Sardinia have suffered substantially lower living standards than the other parts of Italy. The inhabitants of these regions comprise more than one-third of Italy's total population.

The Italian Government has long recognized the gravity of the area's plight and in 1950 launched a 12-year program of direct action to create the prerequisites for a sound economic development of Southern Italy. It created the Cassa per il Mezzogiorno (Fund for the South), a public agency to finance basic improvements in that area. The bold program envisaged land reclamation, irrigation, and conservation, for which more than half of the total Cassa budget was earmarked. Development of roads, railways, aqueducts and sewers accounts for about another quarter of the programed funds. The program entails an annual budget equivalent to \$175 million.

The Cassa has moved forward in its basic program, showing effects of full-scale operation at the average annual rate hoped for by last year. At the end of 1953 it could report that more than 40 million man days of work had been generated by its program, 35 percent of the total 12-year program had been approved in the form of specific projects, 30 percent of the total program was under contract and 15 percent of the total funds had been expended.

### Technical Cooperation Contracts Signed With Two Colleges

Harold E. Stassen, Director of Foreign Operations, on June 24 signed two comprehensive contracts with U.S. colleges. The new contracts, totaling \$3,300,000, link Washington State College with the University of Punjab in West Pakistan, and Texas Agricultural and Mechanical College with the University of Dacca in East Pakistan.

Both U.S. schools will undertake 3-year programs in the fields of engineering, education, agriculture, business administration, and home economics. The 3-year contracts are in conformance with the Foreign Operations Administration's new university program. Previously American universities assumed responsibility for assisting foreign schools for only a 1- or 2-year period.

Under the contracts, the American school agrees to send overseas a university team to remain in residence at the foreign institution, and also to provide special consultants for briefer periods. The Texas and Washington overseas staffs are expected to total about 40 college representatives. Also, the foreign schools are to send a number of key faculty members and graduate students to study at their "sister universities" in the United States.



As in all the U.S. technical cooperation programs, the request for such contracts is initiated by the foreign government desiring such assistance. The foreign university and government agree to take a fair share of the cost of the undertaking.

The two contracts signed June 24 bring the amount of funds obligated in the university contract program to more than \$15 million. The total may reach an estimated \$40 million with the conclusion of nearly 50 more contracts which are now under negotiation with some 40 universities. The university contracts involve more than 30 underdeveloped countries in the Far East, Middle East, Africa, Europe, and Latin America.

The contracts vary in amount from about \$200,000 to \$2,000,000, and provide for the services of as few as two and as many as 31 American university technicians overseas at a time. FOA officials expect that some of the contracts now being sponsored will continue under foreign government or private sponsorship, after FOA financing has terminated, and thus provide a lasting university relationship.

The majority of contracts are with U.S. land-grant colleges. However, some contracts do not involve agriculture, and non-land-grant institutions are also participating in the FOA program.

The assistance of such agencies as the U.S. Office of Education, the American Council on Education, the National Education Association, the Land Grant College Association, and the American Society for Engineering Education is sought in determining whether the institutions suggested by foreign governments are appropriate for the projects indicated.

#### **Training Center in Puerto Rico**

The Foreign Operations Administration on June 25 announced the signing of a contract with the Commonwealth of Puerto Rico to conduct an international technical cooperation training center for participants from over 40 countries.

The contract continues a cooperative training program that began in Puerto Rico in May 1950. Through May 1954, 1,300 participants were trained. They represented almost every country with which the U.S. Government participates in economic or technical cooperation.

The largest single group of students will come from the British, French, and Netherlands areas of the Caribbean for whom special courses on the vocational level have been planned. The training facilities of the vocational schools, the Department of Education, and the University of Puerto Rico will be utilized, along with the opportunities for apprentice training on the farms and in the shops and growing industries of the Commonwealth. Participants will be largely teachers and supervisors in the fields of industry, trade, and agriculture, with a limited number of young vocational students.

Seventy participants from the dependent overseas territories are presently enrolled in the Metropolitan Vocational School studying principally the mechanical trades. The Foreign Operations Administration is making \$150,000 available immediately to enlarge and broaden the program to include more advanced instruction for teachers and supervisors and to offer work in vocational agriculture.

In addition, FOA proposes under the contract to contribute \$90,000 during fiscal 1955 to train up to 500 participants from other areas of the world in concentrated short courses. This phase of the program will permit training in various fields including agriculture, social welfare, housing, education, health, industrial development, labor, public administration, and technical information with particular attention to the use of audio-visual aids.

The contract will go into effect on July 1. It was negotiated at the request of Governor Luis Muñoz-Marín of the Commonwealth. The former training program was carried on under the supervision of the Puerto Rico Planning Board. The new one has been placed under the jurisdiction of the Secretary of State of Puerto Rico with direct supervision by Under Secretary Arturo Morales Carrion.

Puerto Rico is particularly well fitted to offer technical training to participants from other countries. The Commonwealth is a onetime underdeveloped country which, through its "Operation Bootstrap," has solved many of its own economic and social problems.

For the past 13 years, Puerto Rico has successfully conducted a wide variety of programs of agricultural, health, education, and economic development. Thus it provides firsthand observation and experience under conditions comparable to those in the countries from which the training participants come. The country is bilingual, offering instruction in either Spanish or English.

In requesting the contract, Governor Muñoz-Marín stressed the fact that "the people of Puerto Rico are desirous of sharing their experience in social and economic development with other areas of the world which are struggling to achieve a better standard of living."

#### **Support for Jordan Development Program**

United States economic aid in support of the Jordan Government's program for better roads, more water, improved crops and livestock, and restoration of forest lands was announced by FOA on June 28. The Foreign Operations Administration has allotted \$8 million to give practical effect to an economic assistance agreement announced on June 15.<sup>1</sup>

<sup>1</sup> BULLETIN of June 28, 1954, p. 1000.

About half of the economic aid—approximately \$4 million—will be in the form of commodities, principally of raw and processed agricultural commodities, badly needed in Jordan. These, when sold within the country, will produce local currencies to help finance the development projects. The remaining half of the \$8-million allotment will cover the costs of engineering and other technical services and equipment imported for the development work.

Jordan is a country somewhat larger than Maine. Farming and animal husbandry are the principal occupations. Wheat, barley, olives, tobacco, and grapes are the principal crops. Small industries processing farm products represent the chief industrial activity. The country's precarious economic situation is aggravated by the addition of 480,000 refugees to its previous population of 900,000.

Jordan suffers from a general depletion of her limited natural resources. The country lacks the technical know-how and the money to make substantial headway toward solution of its basic economic problems. International and private agencies are giving assistance. The United States, in addition to carrying out programs of technical cooperation, made a grant of wheat in 1952, valued at \$1,264,000 and a further grant in 1954, under the Famine Relief Act, valued at \$1 million.

The \$8 million allotment will be spread over five major projects as follows: irrigation, \$3 million; range resources rehabilitation and development, \$2 million; afforestation and watershed protection, \$500,000; road construction, \$2 million; and ground water exploration and development, \$500,000.

### International Bank Loan to Ceylon

The International Bank for Reconstruction and Development announced on June 18 that it has approved its first loan to Ceylon. The loan will be made in various currencies equivalent to \$19,110,000. The funds will help to carry forward the Aberdeen-Laksapana hydroelectric scheme for supplying additional power to southwestern Ceylon, the most productive and populous part of this island country.

The hydroelectric power potential of Ceylon is largely undeveloped, and there is a heavy dependence on thermal power which is generated entirely with imported fuel. Particular importance, therefore, is attached to the development of hydroelectric power because it will both produce additional electricity at lower cost and effect foreign exchange savings.

The Aberdeen-Laksapana scheme is intended to develop the power potential of the Kehelgamu and

Maskeliya Rivers at a point about 50 miles east of Colombo, the capital. Eventually the total generating capacity of this development will be 150,000 kilowatts. The scheme is being carried out in stages, of which the first was completed in 1951. It consisted of the construction of a 25,000-kilowatt plant in the Laksapana Valley, a diversion dam and tunnel to conduct water from the Kehelgamu to the plant, and a transmission line to Colombo.

The next stage of this development is being financed with the help of the bank's loan. It consists of the construction of a second dam to store additional water from the Kehelgamu and to regulate its flow to the power station, the addition of 25,000 kilowatts to the generating capacity of the existing power plant, and the construction of transmission lines and distribution facilities.

The total cost of this stage is estimated at about 150 million rupees (equivalent of \$31.5 million). The bank's loan will finance the foreign exchange requirements; the rupee costs will be met by the Government. It is expected that the project will be completed in approximately 4 years.

Tea, rubber, and coconut products constitute 90 percent of Ceylon's exports. Almost all the factories processing these products are situated in the area to be served by the Aberdeen-Laksapana project. These industries now rely for power to a great extent on small thermal units. Increased supplies of low-cost power from the project will improve efficiency of production in the factories. The power will also be used in light industries producing consumer goods of kinds now imported.

The area served also includes Colombo, which is Ceylon's largest city and most important port. A program to enlarge and modernize the port, now nearly finished, will enable it to handle more traffic and will increase the demands for power for cargo-handling facilities. Because Colombo is the center of Ceylon's foreign trade and has a large labor force, it is likely that future industrial growth, with consequently increased demand for power, will take place in this vicinity.

The power system which is being built up in the area served by the Aberdeen-Laksapana project is run by the Electrical Undertakings Department of the Ceylon Government. The major part of the construction will be done by foreign contractors under the supervision of British consulting engineers and the Department.

The loan is for a term of 25 years and bears interest of 4¾ percent per annum, including the statutory 1 percent commission charged by the bank. Amortization will begin January 15, 1959.

The Executive Directors of the bank approved the loan at a meeting on June 17, 1954, and the loan documents will be signed shortly.



## Export-Import Bank Declares Dividend of \$22,500,000

The Export-Import Bank of Washington announced on June 28 the declaration of a dividend for the year in the amount of \$22,500,000, which will be payable to the Treasury of the United States on July 1, 1954. The dividend is  $2\frac{1}{4}$  percent of the bank's capital stock of \$1 billion, all of which is held by the Treasury.

The dividend will be paid out of gross earnings estimated to be \$86.2 million during the fiscal year ending June 30, 1954. The bank will realize a net profit of approximately \$56.9 million on its operations during the fiscal year before payment of the dividend. The net profit figure is stated after deducting from gross earnings operating expenses of \$1.1 million and \$28.2 million interest paid on money borrowed from the U.S. Treasury.

The remainder of the net profit, approximately \$34.4 million, will be added to the accumulated past earnings of the bank, which constitute a reserve for possible future losses. The reserve will then amount to approximately \$330 million.

Total dividends paid to the Treasury since 1951 will amount to \$85 million. Total dividends paid since the bank was organized amount to \$105,905,178. Principal repayments on outstanding loans during the fiscal year will amount to approximately \$350 million.

## Stable Isotopes To Be Available for Foreign Distribution

Stable isotopes produced in facilities of the U.S. Atomic Energy Commission will be available for foreign distribution under a program announced on July 1 by the Commission.<sup>1</sup>

Radioisotopes have been sold to foreign users by the Commission since 1947, but stable isotopes generally have been available only to users within the United States. About 175 stable isotopes of nearly 50 elements are produced by the AEC. Stable isotopes, like radioisotopes, are valuable tools for basic research in various scientific fields.

A total of 48 foreign countries has been authorized to receive radioisotopes produced in the United States, and approximately 2,500 foreign shipments of radioisotopes have been made. Foreign requests for stable isotopes will be forwarded

to the Commission through the official representatives of foreign nations for radioisotope procurement.

The terms and conditions for obtaining stable isotopes will be the same as those which now apply to foreign requests for radioisotopes. The applicant must agree to use the isotope only for the purpose stated in the application, and also must agree to report research results to the AEC. Foreign countries may obtain isotopes for scientific research, medical research, industrial isotopes for scientific research, medical research, industrial research, medical therapy, and industrial utilization.

Stable isotopes will be sold at prices which will recover full costs of production. The quantity of a stable isotope approved for export will be limited to the amount generally provided to a domestic user for a similar purpose.

Although some stable isotopes have been produced since the 1930's, pre-World War II techniques for the concentration and separation of stable isotopes were impracticable for most elements, and only very minute quantities of pure separated isotopes could be obtained.

Electromagnetic separation was one of the methods used during World War II to separate the uranium-235 isotope, needed for atomic weapons, from the more common uranium-238 isotope. This method no longer is used for uranium separation. However, part of the electromagnetic separation plant at the Oak Ridge National Laboratory has been utilized for the production of stable isotopes for research, in quantities much greater than were available before. Most stable isotopes now are produced by electromagnetic separation.

Stable isotopes have various research uses. Some elements do not have radioisotopes with half-lives long enough to make their use feasible in experiments. Stable isotopes of these elements can be used in tracer experiments. Boron-10 is useful as a neutron detector. Deuterium, the stable heavy isotope of hydrogen, has been utilized in biological and chemical studies. Helium-3 is important in low-temperature studies.

## Educational Exchange Commission Members Confirmed

The Senate on June 28 confirmed the following to be members of the United States Advisory Commission on Educational Exchange for the terms indicated, and until their successors have been appointed and qualified:

Arthur Hollis Edens for the remainder of the term expiring January 27, 1955.

Anna L. Rose Hawkes, for the remainder of the term expiring January 27, 1955.

Rufus H. Fitzgerald, for the remainder of the term expiring January 27, 1956.

Arthur A. Hauck, for the remainder of the term expiring January 27, 1956.

<sup>1</sup> Most elements have several forms, similar in chemical behavior but differing in atomic weight. These are the isotopes of the element. More than 1,000 isotopes occur naturally or have been artificially produced. Some are radioactive. These usually are called radioisotopes. Others are nonradioactive, or stable. Since the isotopes of an element are similar in chemical behavior, their separation from each other requires special processes.



## INTERNATIONAL ORGANIZATIONS AND CONFERENCES

### Calendar of Meetings<sup>1</sup>

#### Adjourned during June 1954

U.N. Conference on Customs Formalities for the Temporary Importation of Private Vehicles and for Tourism.	New York . . . . .	May 11-June 4
U.N. Disarmament Commission, Subcommittee of Five (Powers): 2d Session.	London . . . . .	May 13-June 2
Who Executive Board: 14th Meeting . . . . .	Geneva . . . . .	May 24-June 3
11th International Ornithological Congress . . . . .	Basel . . . . .	May 29-June 5
10th International Congress of Agricultural and Food Industries. . .	Madrid . . . . .	May 30-June 7
ICAO Assembly: 8th Session. . . . .	Montreal . . . . .	June 1-June 14
ILO Annual Conference: 37th Session . . . . .	Geneva . . . . .	June 2-24
FAO Committee on Commodity Problems: 23d Session . . . . .	Rome . . . . .	June 3-11
U.N. International Law Commission: 6th Session . . . . .	Paris . . . . .	June 3-26
International Cotton Advisory Committee: 13th Plenary Meeting. .	São Paulo . . . . .	June 7-17
UNESCO Intergovernmental Conference of Experts on Cultural Relations and Conventions.	Paris . . . . .	June 8-18
9th Pan American Railway Congress, U.S. National Commission . .	Washington . . . . .	June 9
5th Inter-American Travel Congress . . . . .	Panamá City. . . . .	June 10-20
International Tin Study Group, Management Committee. . . . .	London . . . . .	June 11
FAO Technical Advisory Committee on Desert Locust Control: 4th Meeting.	Cairo . . . . .	June 12-14
FAO Committee on Research of Latin American Forestry Commission.	Rio de Janeiro . . . . .	June 14-17
International Commission for Northwest Atlantic Fisheries: 4th Annual Meeting.	Halifax . . . . .	June 14-19
International Meeting of Tonnage Measurement Experts . . . . .	Paris . . . . .	June 14-23
U.N. ECE European Regional Conference of Statisticians: 4th Session.	Geneva . . . . .	June 14-19
U.N. Permanent Central Opium Board and Narcotic Drugs Supervisory Body: 11th Joint Session.	Geneva . . . . .	June 14-26
Civil Aviation Meet (Centenary of São Paulo) . . . . .	São Paulo . . . . .	June 16-20
International Wheat Council: 15th Session . . . . .	London . . . . .	June 16-26
ILO Governing Body: 126th Session . . . . .	Geneva . . . . .	June 25-26

#### In Session as of June 30, 1954

Geneva Conference . . . . .	Geneva. . . . .	Apr. 26-
International Fair of Navigation . . . . .	Naples . . . . .	May 15-
U.N. Trusteeship Council: 14th Session . . . . .	New York . . . . .	June 2-
ICAO Meteorology Division: 4th Session . . . . .	Montreal . . . . .	June 15-
WMO Commission for Aeronautical Meteorology: 1st Session . . .	Montreal . . . . .	June 15-
UNESCO Seminar on Educational and Cultural Television Program Production.	London . . . . .	June 27-
U.N. Economic and Social Council (Ecosoc): 18th Session. . . . .	Geneva. . . . .	June 29-
ITU International Telegraph Consultative Committee (CCTR): Study Group XI.	Geneva. . . . .	June 30-
Art Biennale, XXVIIth . . . . .	Venice . . . . .	June-

#### Scheduled July 1-September 30, 1954

International Exposition and Trade Fair . . . . .	São Paulo . . . . .	July 1-
8th International Congress of Botany . . . . .	Paris . . . . .	July 2-
Inter-American Technical Cacao Committee: 5th Meeting . . . . .	Turrialba (Costa Rica) . . .	July 4-
17th International Conference on Public Education (jointly with UNESCO).	Geneva. . . . .	July 5-
XVth International Exhibition of Cinematographic Art . . . . .	Venice . . . . .	July 6-
International Union of Pure and Applied Physics: 8th General Assembly.	London . . . . .	July 6-
6th Pan American Highway Congress . . . . .	Caracas . . . . .	July 11-
International Whaling Commission: 6th Annual Meeting. . . . .	Tokyo . . . . .	July 19-
International Union of Crystallography: 3d General Assembly . .	Paris . . . . .	July 21-
World Power Conference: Sectional Meeting . . . . .	Rio de Janeiro . . . . .	July 25-

<sup>1</sup> Prepared in the Division of International Conferences June 28, 1954. Following is a list of abbreviations: U.N., United Nations; Who, World Health Organization; ICAO, International Civil Aviation Organization; ILO, International Labor Organization; FAO, Food and Agriculture Organization; UNESCO, United Nations Educational, Scientific and Cultural Organization; ECE, Economic Commission for Europe; WMO, World Meteorological Organization; Ecosoc, Economic and Social Council; ITU, International Telecommunication Union; CCTR, International Telegraph Consultative Committee (Comité consultatif internationale télégraphique); GATT, General Agreement on Tariffs and Trade.

## Calendar of Meetings—Continued

### Scheduled July 1–September 30, 1954—Continued

GATT <i>Ad Hoc</i> Committee for Agenda and Intersessional Business . . .	Geneva . . . . .	July 26–
3d Inter-American Conference on Indian Life . . . . .	La Paz . . . . .	Aug. 2–
FAO Caribbean Agricultural Extension Development Center . . . . .	Jamaica . . . . .	Aug. 5–
Bogotá International Exposition . . . . .	Bogotá . . . . .	Aug. 6–
10th World's Poultry Congress . . . . .	Edinburgh . . . . .	Aug. 13–
5th International Congress of Soil Science . . . . .	Leopoldville (Belgian Congo) . . . . .	Aug. 16–
U. N. Committee on Information from Non-Self-Governing Territories: 5th Session.	New York . . . . .	Aug. 20–
8th Edinburgh Film Festival . . . . .	Edinburgh . . . . .	Aug. 22–
31st International Congress of Americanists . . . . .	São Paulo . . . . .	Aug. 23–
2d International Congress of Classical Studies . . . . .	Copenhagen . . . . .	Aug. 23–
International Scientific Radio Union: 11th General Assembly . . . . .	Amsterdam . . . . .	Aug. 23–
Wmo Executive Committee: 5th Session . . . . .	Geneva . . . . .	Aug. 25–
Inter-Parliamentary Union: 43d Conference . . . . .	Vienna . . . . .	Aug. 27–
UNESCO Regional Seminar on the Arts and Crafts in General Education and Community Life.	Tokyo . . . . .	Aug. 28–
International Mathematical Union: 2d General Assembly; and International Congress of Mathematicians.	The Hague and Amsterdam . . . . .	Aug. 31–
U. N. World Population Conference . . . . .	Rome . . . . .	Aug. 31–
International Society of Cell Biology: 8th Congress . . . . .	Leiden . . . . .	Sept. 1–
FAO Latin American Regional Meeting on Food and Agricultural Programs and Outlook.	Buenos Aires . . . . .	Sept. 1–
International Sugar Council, Meeting of Executive Committee . . . . .	London . . . . .	Sept. 6–
ICAO Legal Committee: 10th Session . . . . .	Montreal . . . . .	Sept. 7–
International Sugar Council, Meeting of Statistical Committee. . . . .	London . . . . .	Sept. 7–
International Sugar Council, 1st Meeting of Second Session . . . . .	London . . . . .	Sept. 8–
2d International Seminar on the Role of Museums in Education (UNESCO).	Athens . . . . .	Sept. 12–
Colloquium on Luso-Brazilian Studies . . . . .	São Paulo . . . . .	Sept. 12–
International Union of Geodesy and Geophysics: 10th General Assembly.	Rome . . . . .	Sept. 14–
International Federation for Documentation: 21st Conference . . . . .	Belgrade . . . . .	Sept. 19–
Consultative Committee on Economic Development in South and Southeast Asia ("Colombo Plan").	Ottawa . . . . .	Sept. 20–
FAO Committee on Commodity Problems: 24th Session. . . . .	Rome . . . . .	Sept. 20–
IX International Exposition of Preserved Foodstuffs and Packing . . . . .	Parma (Italy) . . . . .	Sept. 20–
U.N. General Assembly: 9th Session . . . . .	New York . . . . .	Sept. 21–
International Bank for Reconstruction and Development and International Monetary Fund: 9th Annual Meeting of Boards of Governors.	Washington . . . . .	Sept. 24–
4th International Exposition of Cotton, Rayon, Textile Chemistry and Machinery.	Busto Arsizio (Italy) . . . . .	Sept. 26–
FAO Council: 20th Session . . . . .	Rome . . . . .	Sept. 27–
Ilo Chemical Industries Committee: 4th Session . . . . .	Geneva . . . . .	September

## U.S. Delegations to International Conferences

### International Union of Pure and Applied Physics

The Department of State announced on July 1 (press release 360) that the United States Government will be represented at the Eighth General Assembly of the International Union of Pure and Applied Physics, opening at London on July 6, by the following:

John C. Slater, Ph.D., *Chairman*, Professor, Massachusetts Institute of Technology, Cambridge, Mass.  
Henry A. Barton, Ph.D., American Institute of Physics, New York, N. Y.

Karl K. Darrow, Ph.D., Bell Telephone Laboratories, Inc., New York, N. Y.

Harold H. Nielson, Ph.D., Professor and Chairman, Department of Physics and Astronomy, Ohio State University, Columbus, Ohio

John A. Wheeler, Ph.D., Professor, Department of Physics, Princeton University, Princeton, N. J.

The International Union of Pure and Applied Physics was founded in 1923 to encourage international cooperation in physics; to coordinate the work of preparation and publication of abstracts of papers and of tables of physical constants; to bring about international agreement on matters of units, nomenclature and notations; and to support research in suitable directions.

The Seventh General Assembly was held at Copenhagen, July 1951.

July 12, 1954

## Future Relationship of Gold Coast and British Togoland

STATEMENT BY MR. SEARS

U.S./U.N. press release 1929 dated June 29

*Following is the text of a statement issued on June 29 by Mason Sears, U.S. Representative in the Trusteeship Council, together with the text of a U.S. draft resolution introduced in the Council on the same date:*

Since recent constitutional developments in the Gold Coast have placed this West African colony of Great Britain on the threshold of independence, the terms of the future relationship of its 4 million people with the adjoining trust territory of British Togoland will require early action by the United Nations.

This is a matter of fundamental concern to the people of both territories and especially to Togoland. Any action or lack of action which would hold them back and keep their country in a dependent status against the known wishes of so many of its people would scarcely be in line with the principle of self-determination.

Recognizing this, the United States delegation today introduced into the Trusteeship Council a resolution in support of a British note suggesting that the General Assembly set up machinery in 1956 to determine public opinion in the territory. Presumably the best way to do this would be by plebiscite.

Because the outcome could result in political freedom for the people of a trust territory, the question is perhaps the most important one ever raised in the Trusteeship Council.

The reason for this arises directly from the results of the election on June 15 in British Togoland and the Gold Coast. Although these elections were for members of the new Gold Coast Legislative Assembly, they have provided a significant indication of the wishes of the Togoland.ers.

All Togoland.ers elected in the north and at least half of those elected in the south favor the merging of Togoland into an independent Gold Coast. In northern Togoland the overwhelming sentiment in favor of joining their neighboring tribesmen across the border had been expected. Even in the constituencies of southern Togoland, where there has been a movement for unification of British and French Togoland, at least half of the vote was clearly in favor of those who desire to become part of an independent Gold Coast.

The vote in the south was about 24,000 for the candidates of the Togoland branch of the Convention People's Party, which favors joining the Gold Coast, to about 21,000 for the candidates of the Togoland Congress, which favors unification with

French Togoland. A few thousand votes went to an independent candidate.

We feel sure that the United Nations will regard this as an impressive step forward toward the final achievement of self-determination. To do otherwise would tend to make a mockery of the principle of self-determination.

Election day on June 15 marked a new phase in a series of constitutional developments occurring in West Africa which will place millions of West Africans under responsible government of their own choosing.

It was also a red-letter day in the evolution of the trusteeship system since it was the first time that elections on the basis of universal suffrage have been held in a United Nations trust territory.

Moreover, we believe that the influence of these elections will benefit the orderly development of self-government in other dependent areas.

The United States delegation takes this occasion to pay tribute to Prime Minister Nkrumah and his Government for the statesmanship and wisdom with which they are guiding their people toward independence. The United States wishes him well in fulfilling his task of bringing African peoples into full membership in the family of free nations.

### U. S. DRAFT RESOLUTION

U.N. doc. T/L. 480

Dated June 29, 1954

#### The Togoland Unification Problem

The Trusteeship Council,

INFORMED by the United Kingdom Government of the recent constitutional developments in the Gold Coast which affect the future of the Trust Territory of British Togoland,

HAVING REGARD to the terms of the trusteeship agreement, and to the resolutions of the General Assembly and of the Trusteeship Council relating to this question,

NOTING that it is the wish of the United Kingdom Government to have on the provisional agenda of the next General Assembly the question of "the future of the Trust Territory of Togoland under United Kingdom Trusteeship",

CONSIDERING that it is the duty of the Trusteeship Council to assist the General Assembly in its consideration of this question,

RECOGNIZING also that the free and democratic general elections recently held in the Gold Coast and in British Togoland, based on the principle of universal suffrage, have given a significant indication of the wishes as well as the political maturity of the people of British Togoland,

CONVINCED, however, that before a final determination of the future of this Territory can be made it will be necessary, as the Charter provides, and as the Administering Authority recommends, to establish the "freely expressed wishes of the peoples concerned",

NOTING that the Administering Authority proposes that the United Nations itself should arrange to ascertain, by whatever means it considers desirable and appropriate, the wishes of the inhabitants of the Trust Territory as to the status to be enjoyed by them when the present



arrangements for administering the territory become inoperable,

1. *Expresses* the Council's gratification that the initial step in the process of self-determination has been taken through the general elections for the Legislative Assembly;

2. *Commends* the United Kingdom Government for the effort it has made in co-operation with the peoples of the Gold Coast and British Togoland to chart a course leading to the establishment of arrangements which will accord with the wishes of the people concerned and the principles of the Charter;

3. *Recommends* that the forthcoming General Assembly place the proposal of the United Kingdom Government early on its agenda so that its general guidance in this important matter can be developed with due deliberation on all the issues involved;

4. *Agrees*, if the General Assembly so desires, to formulate at its fifteenth and sixteenth sessions, such methods and procedures for ascertaining the wishes of the inhabitants, and for terminating the trusteeship, so that the General Assembly at its tenth session can set in motion the approved machinery in the course of 1956.

## The Cargo Preference Principle in Merchant Shipping

*Statement by Thorsten V. Kalijarvi*

*Deputy Assistant Secretary for Economic Affairs<sup>1</sup>*

The purpose of this bill is to strengthen the American merchant marine. The Department of State does not question this objective; in fact, the Department welcomes an opportunity to reaffirm its support for a merchant marine adequate to our strategic and commercial needs.

The Department of State, along with other agencies of the Government, testified against S. 3233 in the Senate. Although S. 3233 as passed is an improvement over the original bill, the Department is still concerned over the possible adverse effects of this legislation not only on the merchant marine but on other segments of the economy as well.

Among the many responsibilities which the Department of State must discharge is that of protecting the legitimate commercial interests of all U.S. industries engaged in exporting and importing American goods and services. It is the Department's belief that the greatest protection for, and benefit to, our foreign trade as a whole lies in the expansion of world trade through the development of a healthy international commercial atmosphere. This is a matter of vital concern to the United States, the world's largest trading nation. This concern, therefore, for a mutually beneficial international exchange of goods and services is a practical and a selfish one.

There is one point which I cannot overemphasize: When we talk about foreign trade, we are not talking about abstract ideas or theories. We are talking about the American goods, the American workers, the American capital, and the American know-how which make up that part of our economy which is engaged in the export and import of goods and services. On the exporting side we are talking about such industries and commodities as agricultural machinery, pharmaceuticals, petroleum products, sewing machines, electrical equipment, automobiles, tires, cotton, tobacco, fruit, grain, meat products, and so on. At the same time, the United States must import a great variety of essential raw materials. I don't think I need to belabor this point, but I do want to emphasize the importance to this Nation of our foreign trade. It follows that one of the Department's most important tasks is to preserve an atmosphere which will best enable us to sell the goods we produce and buy the essential raw materials that we need.

The very fact that the Department of State has the responsibilities I have referred to makes it essential that any proposal relating to the discharge of one responsibility must be carefully evaluated for its possible effect upon all the others. The American merchant marine represents one of the industries which make up the sum total of our foreign trade. Therefore, the Department must consider this bill in terms of its possible effect upon the overall trade picture.

Without going into any great detail, I believe

<sup>1</sup>Delivered for Mr. Kalijarvi on June 23 by Harvey Klemmer, Acting Director of the Office of Transport and Communications Policy, before the Merchant Marine and Fisheries Committee of the House of Representatives with regard to S. 3233.

it is accurate to say that there is a basic distinction between this bill and existing cargo preferences. This bill would not only substantially broaden existing cargo preferences, but would enact them into permanent legislation. The great majority of existing cargo preferences are temporary in nature, in that they have been written into legislation containing dates of termination. This bill, therefore, would make it very clear to all nations that the United States has accepted the cargo preference principle as a permanent part of its maritime statutes.

In recent years, the Department of State has been engaged in the difficult, tedious, and at times unrewarding task of seeking the removal of various restrictive and discriminatory practices against the foreign trade of the United States. This task is not only necessary to protect U.S. interests abroad but is part of the Department's foreign economic policy goal of encouraging a healthy atmosphere for world trade.

#### **Discrimination by Foreign Countries**

In the field of shipping, restrictive and discriminatory practices by foreign countries have taken various forms. American shipping companies have evidenced great concern over such practices. They know better than we what such discriminations can do to their interests. Without any qualification, I can say that, whenever a report is received by the Department regarding a discrimination, and it is verified, every appropriate effort is made to obtain the removal of that discrimination. While we have not succeeded in all such efforts, the Department has been successful in obtaining the removal or relaxation of most of the discriminations encountered.

Unfortunately, there is one type of shipping discrimination with which we have had little success. It is the application of the 50-50 principle to quasi-governmental and even to commercial cargoes by other nations. The Department has vigorously protested such discriminations and has answered references to analogous United States practices by pointing out that our cargo preferences for the most part are temporary in nature and apply only to government-owned or financed cargoes. Obviously this argument will lose force if our practices are broadened and put on a permanent basis.

What we are talking about here is the obvious trend toward the use of cargo preferences. Certain nations have indicated a desire to halt this trend and preserve the element of private initiative and private enterprise in the field of ocean transportation. Certain other nations, notably those newly entered in the field of ocean transportation, have indicated a tendency toward increasing government control over their merchant shipping. This tendency is best evidenced by their eagerness to employ cargo preferences. The example of the

United States in this matter may well determine whether private initiative or government control will eventually prevail in this field.

The Department of State believes that merchant shipping should provide the maximum scope for private initiative and private enterprise consistent with national security. The allocation of cargo by government decree is a step in the direction of greater governmental control of ocean transportation.

This is no idle fear on the Department's part, nor does it reflect any idealistic notions. Rather, it is a sober appraisal of the hard facts of life as we deal with them every day. It might be useful at this point to consider the possibility that other nations which possess certain mineral or agricultural resources, vital to our economy in peace and war, may simply decree, on the basis of the cargo preference principle, that such materials must be exported in national vessels or in the vessels of a given corporation.

This is not mere speculation. Efforts are being made right now to implement just such a cargo preference scheme in at least one important oil-producing country with respect to its petroleum exports. American petroleum companies and tanker operators are seriously concerned over the consequences of this form of cargo allocation and have expressed their concern to the Department.

I am talking here of the agreement between Mr. Onassis and the Saudi Arabian Government to form a private company to operate a tanker fleet under the Saudi Arabian flag. This new agreement seems to us to be an example of cargo preferences carried to their ultimate conclusion. As presently interpreted, the agreement may provide a virtual monopoly of Saudi Arabian oil shipments. As the Committee is aware, Saudi Arabian oil is being developed by a firm known as ARAMCO, which is made up of four of the largest American oil companies. These companies take a very serious view of this agreement, as does the Department of State, of course.

#### **Violation of ARAMCO Concession**

The Department has protested this agreement as a violation of the ARAMCO concession. I might add that had S. 3233 been passed in its original form the Department would have been in the embarrassing position of protesting an action which would have been entirely possible under the original terms of this bill. The indications are that efforts are being made to establish this type of cargo preference in several other countries. We know of at least three other countries which have been approached to make similar agreements, whereby the transportation of their oil, or a share of their oil, would be reserved to certain shipping companies which would be set up under the flag of those countries, in return for the payment of royalties on each ton of oil shipped out of the



country. If this sort of thing should spread, there would be no reason why other countries producing iron ore, bananas, coffee, chrome, manganese, or what have you, could not apply the same principle by setting up national flag fleets and requiring, by law, that a certain percentage of all such cargoes move in national vessels. That is why we are so concerned about the extension of this principle at this time.

The cargo preference principle, whether for profit or the desire to support national merchant fleets, could be applied by any country to any number of commodities—petroleum, iron ore, manganese, chrome, nitrates, tin, and for that matter even coffee or bananas. The list is endless. If carried to its logical conclusion, such a practice would have nations attempting to transport 50 percent, or 75 percent, or even 100 percent of the cargo entering and leaving their ports. Trade would decline because of increased costs and the enforced rigidity of the means of transportation and, in the long run, every trading nation would suffer. Surely, neither the American merchant marine nor the Nation as a whole would find any comfort under such conditions.

Of course, some will say that, if such conditions arise, it will be up to the Department of State to stop them; that is the Department's job. Without appearing unduly pessimistic, let me say that once the vicious cycle of competitive discriminations is started, stopping it before any real damage is done is much easier to say than to accomplish. Sovereign nations cannot order each other to cease their respective practices. Results in this field are obtained through mutual consent and cooperation. Moreover, the probable worst offenders in this field would be nations which receive little or no aid from the United States, thus leaving little bargaining advantage in that respect.

Up to now, I have concentrated on the possible international repercussions if this bill is enacted into law—repercussions which the Department believes would adversely affect our entire foreign trade as well as the American merchant marine in the long run. It might be useful at this point to consider the fact that our basic merchant marine problems are long-range problems. On the other hand, our aid programs are temporary and getting smaller each year. This bill proposes to solve a long-range problem with short-range, declining means. Apart from the international consequences, such fluctuating and temporary means should not be relied upon as a foundation for so vital a segment of our defense structure as our merchant marine.

#### Decreasing Value of Cargo Preferences

With the obvious decline in our aid programs it is apparent that cargo preferences will prove of decreasing value to our merchant marine as a source of cargo. Therefore, it is only a matter of

time until the principle must either be abandoned as valueless, or extended to all cargoes touched by the hand of Government and perhaps finally to all United States imports and exports. The first alternative promises only temporary benefits, and the second alternative promises grave consequences for the merchant marine and for our foreign trade as a whole.

It is the Department's view that support for an adequate merchant marine should be open, direct, and subject to periodic review by the Congress. In his message to the Congress on foreign economic policy,<sup>2</sup> the President stated that: "... we must have a merchant marine adequate to our defense requirements. I subscribe to the principle that such support of our merchant fleet as is required for that purpose should be provided by direct means to the greatest possible extent." More recently, the President requested the Department of Commerce to study the extent to which direct means can be utilized to maintain an adequate merchant marine. It is hoped that this study will provide long-range answers to a difficult, long-range problem. Pending the completion of the Commerce Department's study, the Department of State believes that any action on S. 3233 would be premature.

I am not here to say that the United States *cannot* restrict the carriage of such cargoes to its own vessels. Of course it *can*. But that isn't the question. The question is whether or not it would be helpful or harmful in the overall picture to U.S. trade and to our merchant marine.

As I stated in my opening remarks, the Department of State fully supports a merchant marine adequate to our strategic and commercial needs. We would, however, be less than honest if we came before this Committee and failed to tell you of the dangerous repercussions which in our experience and judgment are embodied in the cargo preference principle. The Department, therefore, in all conscience, cannot support the enactment of S. 3233.

Mr. Chairman, formal representations in writing have been made to the Department of State by nine foreign governments with reference to the proposed bill. I have with me copies of these notes which the Committee may wish to make a part of the record.

#### TEXTS OF COMMUNICATIONS CONCERNING S. 3233

##### Aide-Memoire From the British Embassy

Reference is made to the Bills, S. 3233 and H. R. 8659, introduced into Congress on March 31 to amend the Merchant Marine Act, 1936, to provide permanent legislation for the transportation in United States flag vessels of water-borne cargoes in which the United States Govern-

<sup>2</sup> BULLETIN of Apr. 19, 1954, p. 602.



ment either directly or indirectly are financially interested.

2. The United States Secretary of State will be aware from the memorandum handed to the United States Secretary of the Treasury by the United Kingdom Chancellor of the Exchequer on April 24, 1953, of the importance attached by Her Majesty's Government to the principle of the freedom of shipping to compete in free and fair competition in international trade, and the serious impact on the economy of the United Kingdom of any departure from that principle. Her Majesty's Government accordingly welcomed the recommendations on this subject in the report of the Randall Commission. The proposals in the Bills now before Congress appear to constitute a complete negation of the letter and spirit of these recommendations and Her Majesty's Government assume that they accordingly do not have the support of the United States Administration.

3. On a point of detail it is noted that the first proviso in the Bills appear to contemplate, as a matter of principle, that carriage of cargoes of the types mentioned above should be reserved exclusively to United States flag vessels, and that relief from this over-riding principle is possible only after the holding of public hearings. Further, the second proviso amounts to regulation by legislative means of the employment of third-country flag ships, irrespective of the choice or desire of the consignee or consignor. On practical grounds alone the administration of the provisions of these Bills would appear to create very serious difficulties and uncertainties.

4. Apart from the general objections to the enforced distortion of normal shipping patterns, one of the most disquieting features of the Bills is the implication in the words "... shall furnish to or for the account of any foreign nation ...". These words seem to imply that transactions of any kind, where the United States Government has any interest, however remote, or has in any way acted as an intermediary, could fall within the scope of the proposed legislation. Her Majesty's Government would view such an interpretation with the gravest concern, since it would result in the introduction of discriminatory shipping practices into transactions of any ordinary commercial nature.

5. The United States Government will not have overlooked the probability that these proposals, if adopted, would undoubtedly encourage the introduction by other countries of similar discriminatory shipping measures to an extent far greater than those now existing. Already certain countries have cited the practices introduced by the United States Government in connection with mutual aid cargoes as a pretext for imposing discriminatory conditions in connection with their own national fleets. These practices on the part of other countries, whether retaliatory or not, affect adversely the United States merchant marine as well as the merchant fleets of other countries whose shipping is engaged in international trade.

BRITISH EMBASSY  
WASHINGTON D. C.,  
3rd May, 1954

#### **Aide-Memoire From the Diplomatic Mission of the Federal Republic of Germany**

On March 1, 1954, Senator Butler introduced a bill (S. 3233) in the Senate simultaneously with a similar bill (H. R. 8659) of Representative Tollefson in the House of Representatives to amend the Merchant Marine Act 1936 with the objective to provide legislation for the transportation of a substantial portion of waterborne cargoes in United States-flag vessels.

In principle, these bills, if enacted, would require all aid cargoes to be carried in United States-flag vessels, subject only to waiver to 50 percent for the flag of the recipient countries after public hearing by the Secretary of Commerce. If correctly understood, the provisions

under review would cover cargoes originating within the United States and possessions and off-shore cargoes as well.

It may be pointed out that no legislation of this or a similar nature exists in the Federal Republic of Germany in the field of marine transportation, and American shipping can unequivocally participate in traffic offered for shipment in West-German ports.

The intended legislation is also contrary to the recommendation of the Committee on Foreign Economic Policy (Randall Commission) in its report to the President, dated January 23, 1954. The Commission recommended "that the statutory provisions requiring use of the United States vessels for shipments financed by loans or grants of the United States Government and its agencies be repealed."

The measures provided in the bills, when set into force, will undoubtedly deliver an unfortunate example to other countries and encourage them to promote restrictions with the result that the free commercial intercourse would severely be hampered.

In view of these consequences the Diplomatic Mission of the Federal Republic of Germany wishes to bring to the attention of the United States Government its deep concern in regard to the bills proposed.

WASHINGTON, D. C.,  
May 3, 1954

#### **Aide-Memoire From the Danish Embassy**

On the 31st of March two identical bills, S. 3233 and H. R. 8659 to amend the Merchant Marine Act of 1936, were introduced into Congress.

The tenor of the said bills seems to be that any cargo resulting from a transaction in which the United States Government has had any part whatsoever shall be transported exclusively on privately owned United States flag commercial vessels, unless the Secretary of Commerce after public hearing finds and certifies to the proper Government agency that foreign commerce of the United States will be promoted by permitting the use of foreign vessels or that privately owned United States flag commercial vessels are not available in sufficient numbers or tonnage capacity or at reasonable rates. In any case 50 percent of such cargoes shall be transported on privately owned United States flag vessels to the extent that such vessels are available at fair and reasonable rates. Furthermore it seems to be contemplated in principle to exclude the use of ships registered under the flag of a third country (whether or not this is in accordance with the desire of the consigner and consignee).

It is well known that the Danish Government considers any preferential treatment accorded national flag vessels as a dangerous infringement of the traditional freedom of shipping and trade. Any violation of this principle adversely affects the economy of Denmark, since a considerable part of Danish income of dollars and other foreign exchange is earned by Danish ships participating in international ocean transportation under time-charter and otherwise.

The Danish Government noted with great interest that the "Randall-Commission" three months ago in its recommendations on shipping endorsed the principle of freedom of shipping in proposing that provisions requiring the use of United States flag vessels for shipments financed by loans or grants of the United States Government be repealed. The President's message to Congress on foreign economic policy indicates a similar point of view as the policy of the Administration.

It is the opinion of the Danish Government that the so called "50 percent rule" applied by the United States has already set a dangerous precedent which has done much to encourage similar practices in other countries. A chain reaction set in motion by such policies would eventually, by seriously hampering international shipping, cause material difficulties also to United States

shipping and other interests. Should the proposed legislation, S. 3233 and H. R. 8659, be adopted by Congress, the damaging effects to all parties concerned brought about by such chain reaction will be seriously increased.

For that reason the said two bills have caused grave concern to the Danish Government as already stated at the last meeting of the Working Group of the Sea Transport Committee in Paris. It is hoped that the objections of the Danish Government regarding S. 3233 and H. R. 8659 will be given serious consideration.

WASHINGTON D. C.  
May 4, 1954

#### Aide-Memoire From the Norwegian Embassy

On March 31st, 1954, two bills were introduced into the Congress of the United States, one by Senator Butler and one by Representative Tollefson, with the purpose of making permanent, through amendment of the Merchant Marine Act of 1936, certain principles for U.S. flag participation in the ocean transportation of Government financed cargoes.

The two bills, S. 3233 and H. R. 8659, provide in effect that 100% of cargoes procured, contracted for, or otherwise obtained for the account of the United States, or furnished to, or for the account of any foreign nation, must be carried in U.S. flag ships, and that relief from this requirement is only obtainable if the Secretary of Commerce, after public hearings, finds and certifies that U.S. flag ships are not available in sufficient numbers or in sufficient tonnage capacity etc. In any event at least 50% of such cargoes must be transported on privately owned American ships. It seems likely, however, that the provision for public hearing will, in practice, preclude the participation of other flag ships, even to the extent of 50%, in such shipments.

The bills further provide to restrict the use of ships registered under the flag of a third country, regardless of the desire of the Consignor or the Consignee.

The Norwegian Government is of the opinion that restrictions in the form of cargo preference measures of any kind are detrimental to international trade and commerce. The bills now before Congress represent a most disturbing step in the direction of hampering the free interchange of shipping services which must be international, not bilateral, in character. Barriers set to the free movement of shipping will also tend to increase the cost of ocean transportation.

Should the bills become law, they would have the most serious consequences for the Norwegian economy, because of the peculiar structure of the Norwegian shipping industry. The Norwegian merchant marine has traditionally been engaged to the extent of more than 85% in trading between foreign countries.

The recurrent appearance of more and more restrictive legislation in the shipping field is considered by the Norwegian Government to embody a very dangerous tendency, not only by its direct effect on the operational conditions of international shipping, but also because of the precedent it establishes and because it encourages similar measures by other countries. Such legislation, wherever it originates, can only lead to detrimental consequences for world shipping and world seaborne trade and further generate retaliation. This might also affect adversely the American merchant marine.

The Norwegian Government has noted with interest the recent recommendations by the Commission on Foreign Economic Policy to the President and the Congress to the effect that restrictive measures upon shipping should be loosened rather than tightened. This principle is also subscribed to in the President's program for a foreign economic policy.

The Norwegian Government considers the proposed legislation as contrary to the principles of liberalization and non-discrimination in international trade and shipping which have been adopted by member countries of

the Organization of European Economic Cooperation with the encouragement of the United States Government, and held to be essential to the prosperity and well-being of the free world. It would be regrettable, indeed, if the United States should take steps which would endanger the implementation of these fundamental principles.

It is, therefore, hoped that the United States Government will earnestly consider the Norwegian Government's strong objections and deep concern relative to the proposed legislation.

WASHINGTON, D. C.,  
May 4, 1954

#### Memorandum From the Swedish Embassy

Two identical bills to amend the Merchant Marine Act, 1936, to provide permanent legislation for the transportation of a substantial portion of waterborne cargoes in the United States-flag vessel—S. 3233 and HR 8659—were introduced into Congress on the 31st of March 1954. The bills reportedly contain a proposal to extend the so-called "50 percent rule" and to enact the new regulation as an amendment of permanent character.

The Swedish Government, which consider the "50 percent rule" now in practice detrimental to the cause of the international freedom of shipping, has noted this new legislative proposal—which does not seem to agree with the recommendations on shipping by the Randall Commission—with great concern. If adopted by Congress, the bills would damage not only Swedish shipping directly but would furthermore set a dangerous precedent for similar protectionist legislation in other countries; American legislation of this kind could thus be expected to be invoked by countries wishing to adopt discriminating shipping policies. Such an international development would evidently cause damaging effects to all parties concerned by seriously hampering international shipping, which probably would tend to increase shipping costs and have other undesirable effects as well.

It is the hope of the Swedish Government that these objections to the proposed legislation will be seriously considered by the United States Government.

WASHINGTON, D. C.,  
May 4, 1954

#### Aide-Memoire From the Netherlands Embassy

With reference to the Bills, S. 3233 and H. R. 8659, recently introduced into Congress to amend the Merchant Marine Act, 1936, to provide permanent legislation for the transportation in United States' flag vessels of waterborne cargoes in which the United States Government are financially interested either directly or indirectly, the attention of the Secretary of State may be drawn to the views of the Netherlands Government as expressed hereunder.

The principle of the freedom of shipping to compete in free and fair competition in international trade has constantly been maintained as one of the main features of the economic policy of the Netherlands Government. This freedom of shipping is deemed a *sine qua non* for the deployment of the activities of the Merchant Marine of the Netherlands and the efficiency and economic soundness of shipping in general.

The recommendations on this subject in the report of the Commission on Foreign Economic Policy were therefore warmly welcomed by the Netherlands Government as a token of growing understanding in this field and it was sincerely hoped that legislation in accordance with these recommendations would be initiated.

It is noted however with disappointment and concern that the provisions of the bills now before Congress are contrary to the recommendations of the Commission on Foreign Economic Policy and tend to interfere with the

July 12, 1954



principle to which the Netherlands Government attach such great importance.

This concern is the more sincere since it is to be feared that an example, set by the world's most important maritime nation, will be used all too eagerly by certain other nations as a pretext for introducing discriminatory practices for the benefit of their national Merchant Marine.

Apart from the fact that such measures by other countries will constitute a certain menace to United States Merchant Shipping, their effect on those countries, which depend to a large extent on shipping activities will comparatively be much more severe.

It would seem moreover from the wording of the bills referred to above that the proposed legislation could be applied to transactions of any kind where the United States Government have any interest however remote. If this interpretation should be correct it is to be feared that normal commercial transactions will be greatly affected and discriminatory shipping practices will be introduced in this field as well.

It is for these reasons that the Netherlands Government regret to impart to the Secretary of State their grave concern about the consequences of the bills now before Congress once they have become law.

NETHERLANDS EMBASSY  
WASHINGTON, D. C.  
May 6, 1954.

#### Memorandum From the Italian Embassy

a) There are presently pending in Congress two identical bills, S-3233 and H. R. 8659, which aim to the enactment on a permanent basis of legislations for the transportation of a substantial portion of waterborne cargoes on U.S. flag vessels.

b) These bills contain many restrictive features which would appear to be at variance with the foreign trade policies of the Administration, as embodied also in the recommendations of the Randall Commission and, possibly, in violation of non discriminatory provisions included in the Trade and Navigation Treaties stipulated between the United States and other nations, like Italy.

c) The adoption of these bills would broaden and intensify the scope of cargo preference provisions contained in a number of U.S. foreign aid laws, as they would probably affect the transportation also of materials off-shore procured, surplus of agricultural commodities, stockpile materials and even goods procured through the guarantee of the convertibility of foreign currencies.

d) Moreover, among the restrictive features are requirements which might easily create a situation according to which the so-called 50-50 principle might become a 100% principle.

e) The Italian Government has always viewed with great concern the application of a clause which might encourage in the maritime countries tendencies and practices of flag discrimination. Italy is a country which is highly dependent on sea-borne trade and as such it has historically been building up a maritime trade and a merchant marine which assure important returns in its balance of payments. Any hardening of the present restrictive practices, which are already dangerous enough as an encouragement to flag discrimination, would make this danger world-wide more acute and would therefore be viewed with the utmost concern by the Italian Government.

f) Moreover, the aggravation of the present practices would decrease the dollar returns which might otherwise be earned by the Italian merchant marine and increase therefore the difficulties that Italy still faces with regard to the dollar deficit of its balance of payments.

WASHINGTON, D. C.,  
May 7, 1954.

#### Aide-Memoire From the Finnish Legation

It has been brought to the knowledge of the Legation of Finland that a bill has been recently introduced in the Senate of the United States by Senator Butler of Maryland with the purpose to provide permanent legislation for the transportation of a substantial portion of Government-financed cargoes in United States-flag vessels by amending the Merchant Marine Act of 1936. A similar legislative action has been taken in the House of Representatives.

The above Senate Bill, S3233, provides in fact that whenever the United States shall procure contract for, or otherwise obtain for its own account, or shall furnish to or for the account of any foreign nation, any equipment, materials, or commodities, such equipment, materials, or commodities shall be transported exclusively on privately-owned United States-flag vessels. The bill stipulates that an exception of this rule can be made only in case the Secretary of Commerce after public hearings finds and certifies that the foreign commerce of the United States will be promoted, or that United States-flag vessels are not available in sufficient numbers or in sufficient tonnage capacity, etc. But, also in this case at least 50 percent of such cargoes shall be transported on privately owned United States vessels to the extent such vessels are available at fair and reasonable rates. The above provision for public hearing will, however, most likely prevent any participation of foreign vessels in these transportations.

In respect of the participation of ships registered under the flag of a third country the bill restricts their use to cases where the consignor and the consignee do not have ships of their own registry available for the purpose.

It is the opinion of the Finnish Government that these bills now introduced in the United States Congress constitute a dangerous attempt to impose new restrictions on the free interchange of shipping services in the international trade. Barriers of this kind will evidently not only increase the costs of ocean transportation, but also lead to similar discriminatory measures taken by other nations in order to protect the interest of their shipping industries. The principle of liberalization of the international trade recommended by the Commission of Foreign Economics Policy and supported by the Government of the United States will certainly not be furthered by the proposed legislation which on the contrary tends to violate the principles of liberalization and non-discrimination which are fundamental for a more free international trade.

In view of the above it is sincerely hoped that the Government of the United States would take appropriate notice of the serious concern of the Government of Finland in respect of the proposed legislation.

WASHINGTON, D. C.,  
May 12, 1954.

#### Note Verbale From the Spanish Embassy

[Translation]

The Embassy of Spain presents its compliments to the Department of State and has the honor to state that bills H. R. 8659 and S. 3233, identically worded, presented on March 31, 1954 to the House of Representatives and the Senate respectively, for the purpose of amending the Merchant Marine Law of 1936, have been viewed with some alarm in Spanish circles interested in the matter.

The reason for this concern is that, if approved, the above-mentioned bills will mean an increase in the use of American freighters, since they would be assigned goods purchased in other countries, agricultural surpluses, and products for the purchase of which any system of United States Treasury assistance is used, including the simple guarantee of convertibility.

This Embassy is aware of the reasons that have led to the presentation of these bills, but at the same time it deems it advisable to state that if these bills become

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law the purchasing power of Spain in this market will be appreciably restricted, because of the consequent expected reduction in dollars for payment for services that can be rendered by Spanish ships.

The Embassy of Spain avails itself of the opportunity to renew to the Department of State the assurances of its highest consideration.

WASHINGTON, D. C.,  
June 8, 1954.

## Status of Former German and Japanese Property

### Statement by Secretary Dulles<sup>1</sup>

I am happy to have an opportunity to discuss with the Committee the question of the status of former German and Japanese property raised by S. 3423. I think it is appropriate that the Congress should review legislative policy in this field. The seizure and disposition of enemy property was made during and immediately after the war, when feelings were influenced by the events of that period. I think it is useful to have a fresh look at what is being done in the light of changing world circumstances and experience in administering the legislation.

The Department has submitted a letter to the Committee commenting on questions of general principle raised by the bill. I do not wish to go into the matter in detail, but I would like to comment on a few of the aspects of the question.

The policy adopted after World War II of completely eliminating ownership of enemy private property was a departure from historic American policy after other wars. I myself have had some experience in this field, since I worked on these problems in connection with the Treaty of Versailles. I would, frankly, like to see a return to our historic position to the extent that may be possible, although I appreciate that to do so involves considerable difficulties after so long a period of years.

As I have stated in my letter to the Committee, there is no objection from a foreign policy viewpoint to the return as a matter of grace of vested German property or of Japanese property. In point of fact, any action of this character would be welcomed, both by the Governments of the Federal Republic of Germany and of Japan, as an indication of a return to more normal relations, and of course by the owners of the property. I personally feel sympathy for the burdens placed on large numbers of people who had small property holdings in this country representing interests in estates and trusts, from small investments or pensions, life insurance policies, etc. When I last saw

Chancellor Adenauer, after the Berlin Conference, he particularly mentioned this subject to me and pointed out the hardship which our vesting had caused in these cases.

One aspect of the problem to be considered is the status of war claims still outstanding, principally in the form of claims of American citizens against Germany for war damage to property.

Because of the great dislocation of the German economy as a result of the war, the Allied countries decided to look to the German assets in their territories as a principal source for the payment of their claims against Germany. If this approach is to be reversed, the question of unsatisfied claims against Germany would call for consideration.

The situation with respect to Japan is somewhat different, in that we have a peace treaty with Japan, in which there has been provision for the payment of certain claims against Japan and a definitive waiver of the balance.

This is a complicated problem which involves many policy aspects. A good deal of money has already been disbursed and appropriations would be required. Some of these are matters which go beyond the province of the State Department. Insofar as the problem involves matters of foreign policy, I would have no hesitation in recommending adoption of legislation along the general lines of this bill.

## ANNEX

### Letter From Secretary Dulles to Senator Everett M. Dirksen

JULY 1, 1954

DEAR SENATOR DIRKSEN: I refer to your letter of May 10, 1954 requesting my comments on S. 3423, a bill to amend the Trading with the Enemy Act. This bill would in substance provide for the return, as a matter of grace, of assets vested from nationals of enemy countries, or the liquidated proceeds thereof. The benefits of the Act would not apply to persons convicted of war crimes nor to persons resident in the Soviet zones of occupation of Germany and Austria, or in Albania, Bulgaria, China, Czechoslovakia, Hungary, Poland, Rumania or the Soviet Union.

Pursuant to the Trading with the Enemy Act, as amended, the assets of the governments and nationals of Germany and Japan, and certain assets of the government and nationals of Italy were vested in the United States. Assets of the governments and nationals of Rumania, Hungary and Bulgaria, with which the United States was also at war, were in general not vested but were placed under control. Return of vested Italian assets was authorized by the Congress at the time that an agreement was executed between the United States and Italy (dated August 14, 1947), which

<sup>1</sup> Made before a subcommittee of the Senate Judiciary Committee concerning S. 3423, To Amend the Trading with the Enemy Act, on July 2 (press release 361).

provided for the settlement of various problems arising out of the war, including claims against Italy of American nationals. Claims of American nationals against Rumania, Bulgaria and Hungary, arising out of the war or out of nationalization of property have not been settled. Recommendations regarding these claims and the assets of those countries in the United States are being sent to the Congress separately by the Bureau of the Budget.

In view of the above, I will confine my comments in this letter to the vested German and Japanese assets. Although nearly all assets in the United States of the governments and nationals of these countries have been vested, only part of them have been liquidated. Exact values are difficult to estimate, but the Department understands that approximately \$60 million of property have been vested as being of Japanese ownership and \$450 million as being of German ownership. The finding of enemy ownership has been contested in the case of important properties of substantial value, and the total amount of money which may ultimately be realized from the vesting program is uncertain. However, \$225 million of enemy assets have been liquidated and authorized for payment or paid into the War Claims fund pursuant to existing legislation.

Under the War Claims Act of 1948, Congress has provided for the payment of certain types of claims arising out of the war, principally those for personal injury of prisoners of war and civilian internees. Other war claims have been studied by the War Claims Commission and are dealt with in the two reports of the Commission of May 3, 1950 and January 16, 1953, which have been submitted to the Congress. The claims which have thus far been authorized to be paid have been predominantly against Japan, although as is obvious from the relative magnitude of the assets vested from Japan and Germany, the source of funds has been predominantly German in origin. In fact, the total claims which are estimated to be payable under the War Claims Act of 1948 against Japan (\$130 million) greatly exceed the total value of vested Japanese assets. It follows that German assets have been used to an important extent for the payment of claims against Japan and that any further claims to be paid from the War Claims fund would be almost exclusively from this source.

In addition to the bill to which I have referred, a number of other bills have been introduced in the Congress, some of which would provide for the return of particular categories of German and Japanese assets, while others would provide for the payment of particular categories of claims from the War Claims fund. These bills therefore all represent alternative uses of the funds remaining in the possession of the Government as a result of the vesting of German and Japanese assets. The Department believes that it would be appro-

priate for the Congress to review the question of the disposition of these assets as a whole and to lay down a general policy with respect to the disposition of these assets. In this connection, I desire to submit the following general comments.

There are no foreign policy objections to the return of former enemy assets, or the proceeds of their liquidation, as proposed in S. 3423. Any return which the Congress may see fit to make of assets vested from private individuals and corporations would be consistent with the respect which the United States has traditionally accorded to private property as a general policy and with the practice which has been followed after other wars. The return of such assets would of course be welcomed by the countries concerned. However, it appears from the terms of S. 3423 and from the fact that a significant amount of assets has already been liquidated and disposed of that appropriations would be required to implement the policy proposed in the bill. The amount of appropriations required either from a complete return of German and Japanese assets or for any measure of partial return has not been estimated. In the circumstances, the Department does not feel that it is in a position to endorse any specific proposal for return at this time.

In adopting a policy on this subject, the Congress should take into account the fact that there are unsatisfied claims of American nationals against Germany and Japan. The nature of these claims is indicated in the reports of the War Claims Commission. In this connection, the Department wishes to go on record as being firmly opposed to any further use of former German assets for the purpose of satisfying claims against countries other than Germany.

If the Congress should see fit to provide for a partial rather than full return of vested properties or their proceeds, the Department believes that preference should be given to small property holdings, which would particularly benefit individuals who had life insurance policies, pensions, interests in estates, social security benefits, bank accounts and real property holdings and would spread the benefits of a return widely among the former owners of the assets.

Regardless of what policy is followed with respect to vested assets in general, the Department believes that the return of vested trademarks and copyrights is particularly desirable. At the request of the Department, the Office of Alien Property on December 19, 1952 released from blocking German and Japanese trademarks which had not previously been vested. However, it continues to hold about 400 vested trademarks and 500,000 vested copyrights which cannot be released without new enabling legislation. Particularly in the case of Germany, the trademarks are important to export trade with the United States, and return of copyrights would eliminate a point of friction in our cultural relations.

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With respect to governmental property, which is excluded from the scope of the bill, it may be noted that American practice prior to World War II has been to respect property of a diplomatic character. The Treaty of Peace with Japan specifically excepts diplomatic and consular property from the right of seizure of Japanese assets granted to the Allied powers. In this connection, the Department is aware of the fact that a bill, S. 1573, has recently been passed by the Senate which would provide for the payment of \$300,000 to the Federal Republic of Germany for the construction of a new Embassy in Washington in lieu of the former German Embassy which has been vested and sold. It should also be noted that in the case of Italy previous legislation providing for the return of Italian assets did not exclude governmental property from the return. (It may in fact, be necessary to reconcile the provisions of this bill with such previous legislation.)

In the event that Congress should see fit to provide for return of German and Japanese assets, it may be appropriate to work out some of the terms and conditions with the governments of the Federal Republic and of Japan. Negotiations would also probably be required with other governments with which the United States has concluded agreements for the resolution of inter-custodial conflicts. There are various other practical and technical problems involved in a policy of return, a number of which are raised by the bill under reference. The Department believes that these aspects of the question can be best considered once a general policy is determined and would be pleased to submit its comments on them at a later date.

I am sending a similar letter to Senator Langer, Chairman of the Committee on the Judiciary, who has also requested my comments.

I have been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

JOHN FOSTER DULLES

## Current Legislation on Foreign Policy: 83d Congress, 2d Session

Departments of State, Justice, and Commerce and United States Information Agency Appropriations, 1955. Hearings before the Subcommittee of the Senate Committee on Appropriations on H. R. 8067, Making Appropriations for the Departments of State, Justice, and Commerce and the United States Information Agency for the Fiscal Year Ending June 30, 1955. Part 1, March 22-April 22, 1954, pp. 1-1137.

The Mutual Security Act of 1954. Hearings before the House Committee on Foreign Affairs. April 5-June 8, 1954, 1200 pp.

Universal Copyright Convention and Implementing Legislation. Hearings before a Subcommittee of the

Senate Committee on Foreign Relations and a Subcommittee of the Senate Committee on the Judiciary on Executive M, 83d Congress, 1st Session, the Universal Copyright Convention and S. 2559, a Bill To Amend Title 17, United States Code, Entitled "Copyrights." April 7 and 8, 1954, 208 pp.

Departments of State, Justice, and Commerce and the United States Information Agency Appropriations, 1955. Hearings before the Subcommittee of the Senate Committee on Appropriations on H. R. 8067. Part 2, April 26-May 18, 1954, pp. 1139-2263.

Report on Audit of Export-Import Bank of Washington for the Fiscal Year Ended June 30, 1953, transmitted by the Acting Comptroller General of the United States. H. Doc. 372, April 26, 1954, 20 pp.

Cargo Preference Bill (50-50 Cargo). Hearings before a Subcommittee of the Senate Committee on Interstate and Foreign Commerce on S. 3233, A Bill To Amend the Merchant Marine Act, 1936, To Provide Permanent Legislation for the Transportation of a Substantial Portion of Waterborne Cargoes in United States-flag vessels. May 5-24, 1954, 143 pp.

Universal Copyright Convention. Report of the Committee on Foreign Relations on Executive M, 83d Congress, 1st session. S. Exec. Rept. 5, June 11, 1954, 27 pp.

Trade Agreements Extension. Report to accompany H. R. 9474. S. Rept. 1605, June 16, 1954, 4 pp.

Restoring VA Benefit Rights to Certain Residents of Japan and Germany. Report to accompany S. 3153. S. Rept. 1601, June 16, 5 pp.

Providing Relief for the Sheep-raising Industry by Making Special Nonquota Immigration Visas Available to Certain Skilled Alien Shepherders. Report to accompany S. 2862. S. Rept. 1600, June 16, 1954, 4 pp.

Customs Treatment of Wood Dowels. Report to accompany H. R. 2763. S. Rept. 1602, June 16, 1954, 2 pp.

Amending Paragraph 1530 (e) of the Tariff Act of 1930. Report to accompany H. R. 6465. S. Rept. 1606, June 16, 1954, 3 pp.

Copper Import-tax Suspension. Report to accompany H. R. 7709. S. Rept. 1608, June 16, 1954, 2 pp.

Extension on a Reciprocal Basis of the Period of the Free Entry of Philippine Articles in the United States. Report to accompany H.R. 9315. H. Rept. 1887, June 17, 1954, 3 pp.

Convention with Belgium Relating to Taxes on Estates and Successions. Message from the President Transmitting a Convention between the United States of America and Belgium for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with Respect to Taxes on Estates and Successions, Signed at Washington on May 27, 1954. S. Exec. G, June 22, 1954, 10 pp.

Supplementary Protocol with the United Kingdom Relating to Taxes on Income. Message from the President Transmitting the Supplementary Protocol between the United States of America and the United Kingdom of Great Britain and Northern Ireland, Signed at Washington on May 25, 1954, Amending the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Signed at Washington on April 26, 1945, as Modified by the Supplementary Protocol Signed at Washington on June 6, 1946. S. Exec. H, June 22, 1954, 5 pp.

Mutual Security Program. Message from the President Transmitting Recommendations Relating to the Mutual Security Program. H. Doc. 449, June 23, 1954, 4 pp.

Study of Technical Assistance Programs. Report to accompany S. Res. 214. S. Rept. 1628, June 23, 1954, 2 pp.

Permitting Free Entry of Articles Imported from Foreign Countries for the Purpose of Exhibition at the



- First International Instrument Congress and Exposition, Philadelphia, Pa. Report to accompany H. J. Res. 256. H. Rept. 1920, June 24, 1954, 2 pp.
- Permitting Free Entry of Articles Imported from Foreign Countries for the Purpose of Exhibition at the Washington State Fourth International Trade Fair, Seattle, Wash. Report to accompany H. J. Res. 53. H. Rept. 1921, June 24, 2 pp.
- Permitting Free Entry of Articles Imported from Foreign Countries for the Purpose of Exhibition at the International Trade-sample Fair, Dallas, Tex. Report to accompany H. J. Res. 545. H. Rept. 1922, June 24, 1954, 1 p.
- Mutual Security Act of 1954. Report of the Committee on Foreign Affairs on H. R. 9678, a Bill To Promote the Security and Foreign Policy of the United States by Furnishing Assistance to Friendly Nations, and for Other Purposes. H. Rept. 1925, Part 1, June 25, 1954, 113 pp.
- Mutual Security Act of 1954. Minority views to accompany H. R. 9678. H. Rept. 1925, Part 3, June 25, 1954, 9 pp.
- Mutual Security Act of 1954. Report of the Committee on Foreign Affairs on H. R. 9678. H. Rept. 1925, Part 2, June 25, 1954, 100 pp.
- Expressing the Sense of Congress on Interference in Western Hemisphere Affairs by the Soviet Communities. Report to accompany S. Con. Res. 91. S. Rept. 1633, June 25, 1954, 2 pp.
- Amending Certain Provisions of Part II of the Interstate Commerce Act To Provide for the Regulation for Purposes of Safety and Protection of the Public, of Certain Foreign Motor Carriers Operating in the United States. Report to accompany H. R. 7468. S. Rept. 1650, June 28, 1954, 3 pp.
- Authorization for Sale of Passenger-Cargo Vessels. Report to accompany S. J. Res. 161. S. Rept. 1645, June 28, 1954, 5 pp.
- Agricultural Trade Development and Assistance Act of 1954. Conference report to accompany S. 2475. H. Rept. 1947, June 29, 1954, 10 pp.
- Authorizing the President of the United States of America To Proclaim the First Sunday of Each Month for a Period of 12 Months for Prayer for People Enslaved Behind the Iron Curtain. Report to accompany S. J. Res. 169. S. Rept. 1659, June 29, 1954, 1 p.
- Naturalization of Former Citizens of the United States Who Have Lost United States Citizenship by Voting in a Political Election or Plebiscite Held in Occupied Japan. Report to accompany S. 1303. H. Rept. 1948, June 29, 1954, 5 pp.
- Amending the Foreign Agents Registration Act of 1938, As Amended. Report to accompany S. 37. S. Rept. 1694, June 29, 1954, 7 pp.
- Departments of State, Justice, and Commerce, and the United States Information Agency Appropriation Bill, 1955. Conference report to accompany H. R. 8067. H. Rept. 2000, June 29, 1954, 8 pp.

## TREATY INFORMATION

### Current Actions

#### MULTILATERAL

##### Copyrights

Universal copyright convention and three related protocols.<sup>1</sup> Done at Geneva September 6, 1952.  
*Senate advice and consent to ratification:* June 25, 1954.

<sup>1</sup> Not in force.

#### International Court of Justice

Statute of the International Court of Justice (part of the United Nations Charter signed at San Francisco June 26, 1945). 59 Stat. 1055; TS 993.  
*Renewal deposited* (of declaration under article 36 recognizing compulsory jurisdiction): Honduras, May 24, 1954.

#### Postal Matters

Universal postal convention, with final protocol, annex regulations of execution; and provisions regarding air mail and final protocol thereto. TIAS 2800. Signed at Brussels July 11, 1952. Entered into force July 1, 1953.  
*Ratification deposited:* Ireland, May 26, 1954.

#### Telecommunications

International telecommunication convention and six annexes. Signed at Buenos Aires December 22, 1952. Entered into force January 1, 1954.<sup>2</sup>  
*Ratification deposited:* Cuba, May 19, 1954.

#### War

Geneva convention relative to treatment of prisoners of war;  
Geneva convention for amelioration of the condition of the wounded and sick in armed forces in the field;  
Geneva convention for amelioration of the condition of wounded, sick and shipwrecked members of armed forces at sea;  
Geneva convention relative to protection of civilian persons in time of war.  
Dated at Geneva August 12, 1949. Entered into force October 21, 1950.<sup>2</sup>  
*Ratification deposited:* Rumania, June 1, 1954.

## BILATERAL

#### Greece

Treaty of friendship, commerce and navigation. Signed at Athens, August 3, 1951.  
*Ratified with reservation:* United States, June 24, 1954.

#### Ireland

Agreement governing the disposition of the balance in the counterpart special account. Signed at Dublin June 17, 1954. Enters into force upon exchange of ratifications. The agreement is subject to approval for the United States by an act or joint resolution of Congress.

#### Panama

Agreement for a cooperative program of economic development, pursuant to general agreement for technical cooperation dated December 30, 1950 (TIAS 2167). Signed at Panamá May 11, 1954. Entered into force May 11, 1954.

#### Peru

Agreement providing special technical services between the United States and Peru, pursuant to the general agreement for technical cooperation of January 23, 1951 (TIAS 2772), as amended. Signed at Lima April 13, 1954. Entered into force May 21, 1954.

#### United Kingdom

Agreement concerning a special program of facilities assistance pursuant to the mutual defense assistance agreement of January 27, 1950 (TIAS 2017). Effected by exchange of notes at London June 8 and 15, 1954. Entered into force June 15, 1954.

<sup>2</sup> Not in force for the United States.

## THE DEPARTMENT

### Confirmations

The Senate on June 18 confirmed the nomination of Isaac W. Carpenter, Jr., to be Assistant Secretary of State.

The Senate on June 28 confirmed Charles E. Saltzman to be Under Secretary of State for Administration.

## FOREIGN SERVICE

### Assignment of Director General

Department Circular 108 dated June 30

The Director General of the Foreign Service is assigned, effective immediately, to the Office of the Under Secretary for Administration. In a staff capacity, he will advise and assist in the formulation and implementation of policies governing the administration of the Foreign Service.

JOHN FOSTER DULLES

### Retirement

Burton Yost Berry, Ambassador to Iraq, effective June 30 (press release 354 dated June 29).

### Appointment

Joseph B. Phillips, Deputy Assistant Secretary for Public Affairs, as Director of Public Affairs, Office of the High Commissioner for Germany (see U.S. Information Agency press release dated June 25).

### Consular Offices

The Consulates of Chihuahua, Mazatlán, Reynosa, and San Luis Potosí, Mexico, were closed to the public June 15, 1954, and will be closed officially June 30, 1954.

The functions and consular districts are being transferred as follows:

From	To
Chihuahua	Ciudad Juárez
Mazatlán	Nogales Guadalajara
Reynosa	Matamoros
San Luis Potosí	Monterrey Guadalajara Mexico City

July 12, 1954

## PUBLICATIONS

### Foreign Relations Volume

Press release 336 dated June 21

Nearly 1,000 pages of documents on the beginning and early stages of the undeclared war between Japan and China were released on June 26 by the Department of State in *Foreign Relations of the United States, 1937, Volume III, The Far East*. The greater part of this material is in seven chronological chapters giving an account of political and military developments for the year. Other chapters deal with efforts to maintain the integrity of the Chinese Maritime Customs and Salt Revenue Administrations, developments in "Manchoukuo," and consideration of neutralization of the islands of the Pacific or a general Pacific pact of nonaggression.

During the first half of 1937 there was a continuing deadlock in Chinese-Japanese relations. Ambassador Nelson T. Johnson reported, however, that under Japanese pressure and the leadership of Chiang Kai-shek there was developing on the part of the Chinese a realization of the necessity for unity if China was to survive as a nation and that a measure of unity had already been achieved (pp. 87-91). From Japan, Ambassador Joseph C. Grew reported that Naotake Sato as Minister for Foreign Affairs had made "a very bold and courageous attempt to persuade Japan to adopt more liberal and conciliatory foreign policies" but that under existing conditions his attempt was practically hopeless (pp. 48-52). Mr. Grew noted indications that Japan was changing its methods from forceful aggression to friendship and economic cooperation, although there was doubt that Japan's basic policy to dominate China and the whole Far East south of Siberia in one way or another had changed (pp. 96-100). Secretary of State Cordell Hull expressed concern at reports that the British Government might be willing to recognize that Japan had a "special position" or "special interests" in China (pp. 103-104). On July 1 the Chinese Foreign Minister, Wang Chung-hui, informed Ambassador Johnson that he did not expect any further Japanese aggression for the time being and that during the lull the Chinese Government would strengthen its defenses in anticipation of a resort to force in defense of its rights (pp. 125-126).

Ambassador Johnson and Ambassador Grew were in agreement in reporting their belief that the Japanese military did not deliberately plan the clash at Marco Polo Bridge on July 7 which

precipitated the undeclared war. They were convinced, however, that the conduct of the Japanese military forces was responsible for the conditions which led to the fighting and that the Japanese Army did seize the incident as an occasion for extending Japanese power in North China (pp. 170-171, 251-253, 432-437).

The British Government proposed a "united front" with the United States in efforts to avert hostilities but this suggestion was rejected in favor of "parallel action" (pp. 226-228, 235-236). The two Governments urged upon both sides that they should avoid hostilities.

Ambassador Johnson believed that nothing could save China from the necessity of deciding whether to oppose Japanese aggression with force or become a vassal state and urged that China should not be advised to yield (pp. 385-386). Further moves by the Japanese military met strong resistance from the Chinese and the conflict soon spread to a full-sized war. With this development, Mr. Johnson telegraphed on September 6: "If the powers fail to condemn this brutal, unscrupulous and merciless blotting out of Chinese Government control within its own territories the reaction within China may well be disastrous." He warned that the time was coming when "we must consider whether we are to abandon all hope of saving something, even our self-respect, from the wreckage of 150 years of cultural and commercial efforts in China" (pp. 513-514).

Ambassador Grew expressed full agreement with Ambassador Johnson as to the necessity of Chinese resistance but urged that the United States should not forfeit Japanese friendship by condemning Japan's policy toward China on moral or legal grounds (pp. 485-488). In reply, Secretary of State Cordell Hull expressed doubt that the United States could make it a definite objective to solidify relations with Japan as Mr. Grew had suggested while pursuing the fundamental objectives upon which he and Mr. Grew were in agreement. Mr. Hull desired it to be fully understood by Japan that the U.S. Government disapproved its foreign policy and the methods the Japanese military were pursuing (pp. 505-508). Ambassador Grew explained in a letter of September 15 to Secretary Hull that he agreed with the course of action so far pursued by his Government but again urged that an effort be made not to create antagonism among the Japanese by public censure and thus weaken the influence of the United States with Japan (pp. 525-530). In a dispatch of October 2 he elaborated on the benefits of such a policy (pp. 574-577).

On October 6, Ambassador Grew drafted a fur-

ther telegram contrasting the American policy of "independent action to protect rights and interests in China" with the "British effort to create a common front against Japan," the former retaining Japanese friendship while the latter had forfeited it. Before this telegram was sent, President Roosevelt delivered his "quarantine speech" at Chicago on October 5. Mr. Grew felt this speech rendered his telegram "superfluous" at that date but he forwarded it in a dispatch as a matter of record (pp. 590-593).

A report that the Japanese Emperor was prepared to intervene and to be guided by the advice of the Prime Minister and Foreign Minister rather than by the military was received by Eugene H. Dooman of the Embassy at Tokyo on December 14, but on the same day a further report indicated that the Prime Minister, Prince Konoye, had become much alarmed by such a drastic step and Mr. Dooman was told to consider the earlier conversation as not having taken place (pp. 809-810).

Ambassador Johnson telegraphed on December 21 his view that "The real policy of Japan in China is planned and executed by the Japanese Army which is guided only by its careful estimate of the military obstacles to be expected and ignores as entirely irrelevant the protests of foreign governments and the promises of Japanese diplomats, neither of which the army believes has any bearing on its purely military problems. The undoubtedly friendly feeling of the Japanese people and Foreign Office for the American people has thus far had no effect on the policy of the Japanese Army in China" (p. 826).

On the last day of the year, President Roosevelt received an urgent appeal for help from Chiang Kai-shek (pp. 832-833).

References to Communist activities in China are numerous in this volume. Japanese pressure brought some degree of cooperation between the Communists and the National Government, and the Soviet Government found it to its interests to give aid and encouragement to China to some extent while avoiding becoming involved against Japan. The Chinese Communist forces were organized into government forces as the Eighth Route Army and it was reported that the Communists had forsworn their communistic activities (pp. 376-377, 479, 522, 548-549, 837-838). Mr. Loy W. Henderson, Chargé in the Soviet Union, reporting on September 20 regarding Sino-Soviet relations, expressed the view that the Chinese Communists would not fail to take advantage of the situation to strengthen their influence in China and that the Soviet Government realized that Chiang Kai-shek fully understood the ultimate objectives of Soviet policies in the Far East (pp. 537-541).



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### Check List of Department of State Press Releases: June 28-July 4

Releases may be obtained from the News Division, Department of State, Washington 25, D. C.

Press releases issued prior to June 28 which appear in this issue of the BULLETIN are Nos. 336 of June 21 and 352 of June 26.

No.	Date	Subject
353	6/28	Dreier: Council of OAS
354	6/29	Burton Berry's retirement (rewrite)
*355	6/30	International Claims Commission report
356	6/30	ANZUS meeting
357	6/30	Dulles: Report on Guatemala
358	7/1	Brazil's lend-lease payment
359	7/1	Dulles, Muniz statements
360	7/1	Conference on physics
361	7/2	Dulles: Alien property
*362	7/2	Educational exchange
363	7/2	Note to Israel and Jordan

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**1937, Volume II, The British Commonwealth,  
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Prominent among the subjects treated in this volume are the efforts of the Department of State to promote more liberal trade policies by discussions looking to the conclusion of reciprocal trade agreements and representations against discriminating practices damaging to American commerce. Secretary of State Cordell Hull conceived his trade agreements program not merely as a means for promoting American business but as one important instrument that would help maintain international peace.

A number of issues tended to strain relations with the Nazi Government of Germany in 1937. Persecution of the Jews continued with additional restrictive measures being applied. Trade relations were unsatisfactory. The German Government made representations against derogatory remarks by Mayor La Guardia of New York about Hitler.

Among many matters of diplomatic concern in the Near East recorded in this volume were the Montreux Conference for the abolition of capitulations in Egypt, the withdrawal of American diplomatic and consular representatives from Ethiopia which was under Italian occupation, the grant of an oil concession by the Iranian Government to the Amiranian Oil Company, proposed abolition of capitulatory rights of the United States in the French Zone of Morocco, and interest of the United States in British proposals for the partition of Palestine between Arabs and Jews.

Copies of this volume may be purchased from the Superintendent of Documents, Government Printing Office, Washington 25, D. C., for \$4.25 each.

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